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Management skills for the successful operations of mining and associated industries, with reference to marketing, investment and industrial relations

Robert Needham

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**MANAGEMENT SKILLS FOR THE SUCCESSFUL OPERATIONS
OF MINING AND ASSOCIATED INDUSTRIES WITH REFERENCE
TO MARKETING, INVESTMENT AND INDUSTRIAL RELATIONS**

A Thesis submitted in fulfilment of the
requirements for the award of the degree of

MASTER OF ENGINEERING (HONOURS)

from

THE UNIVERSITY OF WOLLONGONG

by

ROBERT NEEDHAM

Department of Civil and Mining Engineering



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ABBREVIATIONS

A.M.W.S.U.	Australian Metal Workers and Shipwriters Union.
M.T.A.	Metal Trades Association.
F.I.A.	Federation of Ironworkers of Australia.
M.T.I.A.	Metal Trades and Industrial Association.
A.C.T.U.	Australian Council of Trade Unions.
G.D.P.	Gross Domestic Product.
C.P.I.	Consumer Price Index.

SYNOPSIS

The Australian economy in the post second world war period heralded a golden age of expansion with the returned servicemen assured of jobs. The employment was based upon a historically sound agriculture culture with markets for wool and grain available in a hungry world and the potentially insatiable demand of the Japanese industry for coal and iron ore. Labour shortages which threatened the rate of expansion were eased by a favourable immigration policy. This policy sought to provide skilled labour for industry and a potential local demand for domestic products.

Government investment in capital programmes such as the Snowy Mountain scheme could take a high proportion of service skilled labour and at the same time open up areas for the development of satellite industrial areas to decentralise industry.

The success of the policies cannot be denied but fundamentally the system relied too heavily upon raw materials to the exclusion of a need to develop a sound manufacturing basis capable of exploiting indigenous reserves. Technology was only advanced on a "needs must" basis with little thought to the future where the high living standard enjoyed could only be maintained by a higher gross domestic product capacity than that existing.

The thesis is concerned with the growth of an originally all Australian owned coal mining organisation which sought to diversify its interest by entering the fabrication and mining machinery industry both in Australia and in the open market overseas.

Success of the parent company attracted overseas investors in the first phase of takeover bids in Australia in the early 1960's and the company eventually became a wholly owned subsidiary of an international mining group.

The role of industrial dispute as the basis for the decline of the metal manufacturing company has been examined.

The thesis also examines the managerial skills in reviving Kidston gold mine. The mine was considered previously to be an unattractive proposition and uneconomic. The project was re-examined, revealing that the rejection was based upon managerial inflexibility and traditionally over-conservative methods of mine evaluation, construction, operation projected commodity prices and contingency factors. A fresh alternative to the traditional approach was examined and today the project is a recognised success within the Australian Mining Industry.

The Kidston project has demonstrated the need to maximise upon capital investment, by reviewing profit margin as the basis for financing Australia's or indeed any resource rich nation in developing a sound economy.

GENERAL INTRODUCTION - Understanding Marketing Management1.1 Introduction

Marketing as a skill was developed in Australia after the end of World War II and received a boost of necessity after the entry of the United Kingdom into the European Common Market. The emergence of Japan as a major manufacturing and export base country came at the same period when the Australian coal mining and iron ore industries were favourably placed geographically to exploit the market potential of the fast developing Japanese Steel Industry.

The period between 1955 and 1961 saw the emergence of Australian entrepreneurial management and marketing specialists who realised that the readily accessible reserves of coal and iron ore in Queensland, N.S.W. and Western Australia offered a stable source of raw materials to Japan co-incident with a major expansion of the BHP steel manufacturing industry. This period witnessed a major growth in capital investment in Australia with a demand for labour which could only be supplied by large scale immigration.

The Calwell Government in 1949 introduced the subsidised ten pound fare scheme available to British immigrants on an open door basis (subject to specific qualifying conditions) and to European migrants of whom the majority came from Italy, Germany, Greece and Yugoslavia. These migrants were very quickly placed in industry in N.S.W., Victoria and to a lesser extent, in Queensland and other states. 1954 saw a massive increase of migrant intake from European migrants over the first four years of some 22% (N.S.W. Bureau of Statistics, 1955)

The period between 1954 and 1961 created a new class of society in Australia based around the capital cities of N.S.W. and Victoria whose lifestyle depended on manufacturing, steel, and mining which now rivalled the traditional agricultural industry as a market leader.

The Japanese car industry, ship building industry and to a lesser extent, the electrical industry, re-organised during this time and a pattern of dynamic marketing, by the car industry in particular, marked a penetration of world markets in 1960 with small fuel efficient cars designed to meet the rising fuel costs in the aftermath of the Suez crisis.

Marketing in Australia was on an ad hoc basis with an expanding export market for minerals and for agricultural products which appeared to be insatiable. The home market boosted by wage increases, easily won by unions, was equally demanding for household goods, housing and consumer items. This was due to the influx of migrants with families and by the new generation of Australians now emerging from the return of the armed forces at the end of World War II.

This era marked the commencement of the "fat cat" philosophy adopted by management and employees when Australia would now prosper on a presumably never ending favourable mineral export market. The Japanese heavy industry based on modern high productivity blast furnaces created an insatiable demand for metallurgical coke and Australia was a potential source for such a supply. Table 1.1 shows the details of the Australian coal export to overseas markets between 1950 and 1959. Note the dramatic increase in export of coal to Japan. (J.C.B. 1960).

Table 1.1

Export of Black Coal from Australia (1950-1959)

NSW (tonnes 000)	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
New Caledonia	51	77	129	138	163	168	157	182	143	145
Fiji	9	18	20	23	22	18	17	11	12	12
N.Z. & Pacific Isllds	1	3	4	4	4	9	14	14	1	-
Japan	-	-	-	55	-	9	27	451	362	493
Korea	-	-	-	125	169	7	61	85	162	22
Hong Kong	-	-	-	-	-	2	2	6	5	7
Malaysia	-	-	-	8	-	-	-	7	-	-
Argentina	-	-	-	-	-	-	-	-	111	84
Total N.S.W.	61	98	153	353	358	213	278	756	796	763
QLD. (tonnes 000)	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Japan	-	-	5	-	-	-	-	-	-	9
Hong Kong	-	-	15	-	-	-	-	-	-	-
Korea	-	-	-	8	-	-	-	-	-	10
Argentina	-	-	-	-	-	-	-	-	3	-
Pakistan	-	-	29	-	-	-	-	-	-	-
S. Vietnam	-	-	-	-	-	-	-	-	10	-
Total Queensland	-	-	49	8	-	-	-	-	13	19
Total Australia	61	98	202	361	358	213	278	768	809	782

The manufacturing of the raw material products was based upon buyer's need and Japan became a lucrative market for coal producers where the acquisition of coal contracts was easily obtained if the supplier in Australia could satisfy the customer of continuity of supply to the docks. Coal prices were negotiated at a most acceptable level to the producers with escalation clauses included for Consumer Price Index awards to industry and in addition the contracts provided incentives for the colliery companies to invest in capital equipment to increase output in existing mines or to develop new mines. In the period 1960/1961, the capital cost to develop a new mine in the Southern coalfield of N.S.W. was \$12 Million, for a mine designed to produce 4,500 tonnes of raw coal per day. A typical lease area had reserves of plus 50,000,000 tonnes of coal. However the basic cost to operate a mine in the Southern coalfield was as follows:-

Labour	2.85	
Materials	1.10	
Stores	1.08	
Power	0.29	
Insurance	0.15	
Royalty etc.	0.25	
Capital	2.50	
Washing	0.80	Additional charge
<hr/>		
Sub total	\$ 8.97	
Transport to port	\$11.20	
Port charges	\$ 8.97	
<hr/>		
Total cost/tonne F.O.B.	\$20.17	
Saleable cost/tonne F.O.B.	\$28.00-\$30.00/tonne dry clean coal	
Profit	\$ 8.00-\$10.00/tonne.	

This cost was based upon an output per man shift of some 8.5 to 9.00 tonnes.

The capital value of a typical operating mine at this time was some \$12,000,000 with leases of coal in excess of 60,000,000 tonnes on average for a single mine.

With a potential selling price of \$28/30 per tonne this represented a 100% tax paid return of investment of 15% at a period where housing loans were at 4.8 to 5.0%. This position was that existing at the start of the introduction of continuous miners capable of cutting and loading at a rate of 500 tonnes per hour, complemented by shuttle cars with a capacity of 8-10 tonnes.

Mining leases were quickly granted by the N.S.W. and Queensland State Governments anxious to attract capital to develop the extensive coal resources available and also to help develop infrastructure at the shipping export ports. These States, in addition waived local rules to attract ancillary industries to the major population areas. Australia's small businesses in the form of back yard workshops responded to a demand for the supply of service items associated with the coal mining industry producing facsimile spares for imported equipment or in competition with local manufacturers who had invested in research and development of mining equipment.

1.2 Effects of Increased Capital Expenditure and the Development of New Mines, Manufacturing Industries

The intensive mechanisation of the coal mining industry, coupled with re-construction of existing mines and development of new mines, resulted in a demand for an Australian share of the capital equipment manufacturing industry. Such capital equipment was of overseas design and required the minimum of local design and the overseas suppliers quickly established local agencies to market the equipment or set up an Australian branch of the parent company with minimum manufacturing facilities.

Marketing comprised the review of clients' requirements without specification changes and allocation on a limited delivery basis so great was the demand. This, in the period 1960-87, has produced a very erratic marketing system in Australia.

To most Australian businessmen the words 'stars', 'cows', and 'dogs' mean nothing at all as commercial terms, but according to Davenport (1983), these are the words that every chief executive should be thinking as he plans the company's growth over the next four years - (in 1987 this is so relevant in the coal mining and metal manufacturing industry).

The above words are those used by the U.S. based corporate strategy group, Boston Consulting Group (BCG), to sort out a company's good performing areas.

Davenport refers to the BCG report on Morien where a sales chart is divided into four parts:

1. The stars, i.e. the good sales growth, large market share.
2. Wildcats, good sales growth small market share.
3. Cash cows, poor sales growth, small market share.

Such was the demand for equipment that a solid background of suppliers of imported and locally manufactured capital goods evolved where each of the four conditions described could exist in harmony, in particular 1960-70.

In typical Australian fashion alternative local sources evolved for the supply of service items and facsimile spares for the imported equipment.

The coal mining industry in particular spawned the growth of small engineering/manufacturing industries dedicated to the supply of spare parts produced from drawings largely supplied by the colliery company maintenance engineers either by measurement or from spare part manuals. As these small companies were usually managed and owned by entrepreneurial tradesmen "having a go" there was a continual growth and decline of businesses destroyed by cut throat competition, creating the terms stars, wildcats etc.

To meet the demands in the service industry field the small entrepreneur would pay over award rates, hidden bonus (overtime guarantees) and in exchange labour would accept sub standard conditions.

Only three major overseas suppliers of continuous miners encouraged the Australian manufacture of continuous miners initially in the late 1970's, followed by a fourth in 1980. The designs were mainly overseas with Australian design input relating only to modification to suit local conditions, (Tague, 1966). (Research and Development expenditure to suit local needs).

Although the ventures were initially successful, the impact of the 35 hour week and metal unions wage increases of 1980-81 brought about the failure to compete in price with the overseas units and all have now reverted to mainly overseas importation. It is noteworthy that in the Australian manufacturing period the only development money spent on the equipment was for minor improvement.

It is of interest to note that the see-saw principle of Product Petrification as reported in Californian Management Review (1982) began in 1982 where the four manufacturers of continuous miners in Australia won and lost orders for the supply of equipment to the same client due to the lack of any real major development by any one group. The only change of rate was in the introduction of solid state electrical control gear which initially was imported.

Since 1982 the see-saw principle has applied in the industry, for example in the case of continuous miners the following has occurred (Knowles, 1982):

Fox - Marietta	-	Developed local unit 1980 - sold 50 units 1980-85 - now fully imported
Joy - JCM	-	Manufactured under licence 1981-86 - sold 200 units - now fully imported
Jeffrey Heliminer	-	Manufactured under licence 1982-86 - sold 78 units - now fully imported
Noyes Miner	-	Part manufacture 1978-86 - 60 units sold - reverting to import.

1.3 Fluctuating Research and Development (R & D) Budgets

Australian expenditure on industrial research and development declined during the 1970's from approximately 1.2 per cent of Gross Domestic Product (GDP) in 1973-74, to about one per cent in 1976-77, and is now probably somewhat less than one per cent of GDP. Thus, approximately \$1 billion is spent annually, with governments providing about 60 per cent of the funds, and undertaking in their own agencies approximately 40 per cent (in terms of expenditure) of the overall national R & D effort.

In the early 1970's, some 4,500 technical people were employed in industry in R & D. Towards the end of the decade fewer than 3000 people were similarly employed. It seems that few manufacturing firms have concerted research programmes, and that most of these firms engaging in R & D are overseas-controlled although it may have been expected, perhaps, that these companies would have had greater access to foreign R & D. It may be that much of the R & D carried out in Australia consists of modifying foreign developments for the local market.

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) is a statutory body, established in 1949. It is the largest research organisation in Australia, with an annual budget of approximately \$200 million. Much of its research effort focuses on aspects of primary industry, although increasing attention is being devoted to areas of secondary industry.

The Australian Government has various incentive schemes to encourage R & D, including the Industrial R & D Grants scheme which dispensed \$24 million to industry in 1978-79. Payments of 50 per cent of project costs, up to a maximum of \$500 000 per annum per company, are made to approved firms.

Most of today's research is carried out by scientific teams working in research laboratories rather than by independent inventors of the breed of Thomas Edison, Samuel Morse or Alexander Graham Bell. Managing scientific personnel poses special challenges. They are professionals who resent too much cost control. They are more interested in solving scientific problems than in coming up with marketable products. Yet companies are making some progress in impressing a stronger marketing orientation in their scientific personnel.

Tight money in recent years has led many companies to concentrate more on pursuing minor product improvements rather than gambling on major innovations. In the past, such major foreign companies as Du Pont, Bell Laboratories and Pfizer would invest heavily to find major breakthroughs and were successful in many cases. Even these companies seem to be pursuing more modest goals today. Most companies are content to put their money into improving antiperspirant deodorants, car restyling and new soft drink flavours. Some part of every R & D budget is spent simply to match or copy competitors' products rather than striving to surpass them.

1.4 Increased Regulation of Technological Change

Technological change is encountering more regulation and opposition than ever before. As products get more complex, the public needs assurance of their safety and health. Government agencies have responded by expanding their power to investigate and ban new products that might be directly harmful or have questionable side effects. Thus the Australian Federal Department of Health has issued elaborate regulations governing the scientific testing of new drugs, resulting in

- (1) much higher research costs;
- (2) lengthening the time between idea and introduction and
- (3) driving much drug research to other parts of the world where regulations are less stringent.

Safety and health regulations have substantially increased in other areas such as food, motor vehicles, clothing, electrical appliances and construction. Marketers must know these regulations and take them seriously when proposing, developing and launching new products. Many U.S. companies, such as the marketers of cyclamate sweeteners, have had the experience of spending millions to find and launch a new product only to have a government agency pronounce it unsafe and force its withdrawal from the market.

Technological change is also meeting opposition from antitechnologists who see large scale technology as destroying many of the values and aspects of society which they cherish. They see technology as threatening to destroy nature, privacy, jobs, personal contacts, simplicity and even people themselves. Some sceptics have adopted Schumacher's philosophy, that "Small is Beautiful" and have replaced cars with bicycles, synthetic food with organic food and fancy clothes with denim clothes. They have opposed the construction of new chemical plants, high-rise buildings and recreational facilities where they believe these threaten to destroy existing ecological balances. They have clamoured for official groups to perform technological assessment on new technologies before permitting them to be commercialised in this society.

In September 1987, the Federal Minister for Industry held a series of discussions with leaders of industry and educational bodies to examine the role of education in industry. Participants from government, industry and education all agreed that Australia needs some system of technology assessment and futures studies, but many participants were sceptical that this could be effectively incorporated into Australia's existing political system.

Of a list of 20 possible studies for corporate and national planning in Australia to the year 2000, those ranked as having top priority were:

- . Implications of developing relations with South East Asian countries for Australian economy and society.
- . Alternative energy supply/demand scenarios for Australia.
- . Changing world trade relations and structural adjustment in the Australian economy.

- . Youth unemployment and socio-economic change in Australian society.
- . Technology, productivity and employment in Australian manufacturing industries.
- . Growth prospects for the mineral and metal processing industries in Australia.
- . Research and development priorities and innovation opportunities and needs in Australian industry.
- . Petroleum energy conservation options in transport to the year 2000.
- . Alternative economic, social and technological futures for Australia.
- . Socio-economic impacts of new computer information and communication technologies.

Marketers must understand the technological environment and the nuances of technology. They must be able to envisage how technology can be connected with human needs. They must work closely with R & D people to encourage a market orientation to their research. They must be alert to possible negative aspects of any innovation that might harm the users and bring about distrust and opposition.

1.5 Definition of Problem

The growth of the British Empire was based initially on the ability of the early colonists to exploit raw materials as a feed for the factories in the mother country. An abundance of coal, water and to a minor extent iron ore coupled with an expanding industrialised population saw the emergence of the leading industrial nation of the 19th century. The manufacturing industry diversified to supply the expanding colonies with a nearly captive market and by the beginning of the 20th century the United Kingdom stood at the same position in world trade where Australia now stands today. Allowing for two world wars the indisputable fact is that the United Kingdom relied too heavily in heavy industry with only the midlands emerging as the base for new consumer industries. The new industries were highly capitalised and became a vulnerable target for union pressure as well as for the imposition of old work to rule practices.

Australia, or rather the people must examine the example given and the role of management and unions needs to be integrated without the loss of discipline. A fair day's work for a fair day's pay is better presented as a fair day's work can be rewarded by payment such that the worker has a direct interest in the creation of a reasonable profit margin which also generates capital for re-investment.

Australia needs a market manager, not only to expand the sales of existing export earning products mainly raw materials but to initiate a review of the nations potential as a producer of goods indirectly associated with base products and geared to the 21st century.

This is the general problem areas with which this thesis is concerned.

1.6 Scope of Work

Three projects are presented in order to produce a case for the above endeavour and to attempt to provide a guide to management and future managers in order to produce a new Australia with a balanced economy able to offset the challenge from resource rich underdeveloped nations.

The case study examples will be restricted to coal and gold commodities as well as representation of Australian mineral resources. The investigation presented would deal with all the major phases of resource development and associated industries.

MANUFACTURING OF MINING EQUIPMENT IN AUSTRALIA2.1 Introduction

In 1950 the first continuous miners were introduced into the Australian deep coal mining industry. However, agreement was not reached between the mines, government bodies and the operators to prevent the extraction of pillars by mechanised systems mainly continuous miners and shuttle cars. This was essential to produce the bulk outputs now required by the market forces locally and the expanding export market. After very hard bargaining between unions and employees an agreement was finally reached which paved the way for the application of continuous mining methods in 1954 in New South Wales collieries. In 1959 some sixty-three percent of coal was mechanically loaded underground and by 1960 nearly ninety-four percent of underground coal was loaded by mechanical loaders. Conventional pick up loaders and track mounted coal cutters formed thirty-five percent of the ninety-four percent value and this was phased out by 1965 when ninety-five percent of all underground coal was loaded by continuous miners into shuttle cars as shown in Table 2.1. (JCB, 1960).

Face outputs per shift from continuous miners was on average one hundred and eighty tonnes in pillars compared with eighty tonnes previously track mounted from cutters and pick up loaders. This increase highlighted the shortcomings of the track mounted car systems used to convey the coal from the face.

The use of track mounted equipment increased the face labour since trackwork required to be installed for the cutter, the pick up loader and finally the rail mounted car. In addition a battery locomotive and crew backed up the pick up loader by hauling the cars to and from the face.

Table 2.1

N.S.W. COAL CUT AND LOADED BY CONTINUOUS MINERS (000's tonnes)

YEAR	NORTH		WEST		SOUTH		TOTAL N.S.W.	
	CUT	LOADED	CUT	LOADED	CUT	LOADED	CUT	LOADED
1956	232 (2.8)	232 (2.8)	-	-	700 (17.6)	700 (17.6)	932 (6.7)	932 (6.7)
1957	437 (5.2)	354 (4.2)	44 (2.7)	44 (2.7)	1525 (33.5)	1014 (22.2)	2006 (13.7)	1412 (9.6)
1958	664 (7.5)	408 (4.6)	47 (3.0)	47 (3.0)	1884 (40.1)	1157 (24.6)	2595 (17.1)	1612 (10.6)
1959	926 (10.4)	642 (7.2)	-	-	2508 (52.1)	1453 (30.2)	3434 (22.5)	2095 (13.7)

Note:- By June 1960 coal cut by continuous miners was 39.2% of the NSW total and a total of 69 continuous miners were in operation. Two firms supplied continuous miners, Jay Manufacturing and Lee Norse. All continuous miners unit equipment, shuttle cars, loaders, feeders, breakers, was imported of which 95% was from the U.S.

By June 1960 nearly 41.5% of all NSW coal was cut and loaded by continuous miners. 51.3% was cut and loaded using arc wall cutters and mobile loaders, whilst 7.2% was level loaded.

The initial change in this system was the adoption of the panel conveyor and trackless mining equipment. The panel conveyor in many cases up to 1965 delivered to a car loading station. This high level of belt conveyor utilization in the coal mine encouraged some Australian manufacturing companies to start home building of belt conveyors. Other equipment to receive attention included: mine cars, diesel tractors and free steered vehicles.

This chapter is intended to examine the reasons for the manufacture of these products and the current position in the Australian mining scene. Also discussed are: after sales business and new business of spare parts.

2.2 Manufacturing of Men and Material Handling Equipment

2.2.1 Belt Conveyors

The use of belt conveyors for panel conveyor development and extraction was the most efficient means available for coal transport. The coal could then be loaded into rail mounted cars for hauling to the surface by locomotive haulage. New mines in the development stage were planned on the basis of total conveyor application to the surface.

From 1950 to 1960 the majority of standard conveyor drive heads used in Australia was sourced from the U.K. with some equipment imported from the U.S.A. Other drives consisting of a standard reduction gear box and locally manufactured conveyor pulley were installed and in the main there was a need for a locally designed series of standard drive heads for use in underground situations. In addition to this requirement the capacity of panel conveyors to meet the new generation of continuous mining units necessitated a new approach to conveyor structure design.

From American coal mining experience the need arose for light weight conveyor structures readily demountable and easily transported and erected to complement the increased productivity of a continuous miner under loading conditions. The conveyor drive head sourcing was based upon mainly U.K. suppliers and so also was the conveyor structure supply using closed structure and cast iron idlers.

The capacity of the U.K. conveyor structure was based on speeds of 1.5 to a maximum of 2.1 metres per second which necessitated wide belts to accept the peak loads of 600 tonnes/hour possible. Dynamic balance of idlers available off the shelf could not permit higher speeds unless machined at a high cost.

At the instigation of mining operators an Australian standard of "stringer" structure was investigated by some six suppliers of conveyor equipment in Australia of whom only two had close underground mining experience. This experience being some four to five years. The new standard demanded that conveyor idlers be locally manufactured to a tolerance such that speeds of 3.0 to 3.5 metres per second could be achieved using fabricated idlers made from selected tube and within a tolerance of dynamic balance of 6 gm metres when tested at design speed. In 1960 and through to late 1961 underground testing of samples of all suppliers of locally made conveyor structure was conducted to determine the reliability of the concept. This test resulted in the design of the 'Australian Standard Conveyor Structure' used in ninety-nine percent of mines until the late 1970's.

Contracts were placed with selected manufacturers based on the Standard Conveyor Structure Specification and a highly efficient conveyor manufacturing industry was established located in Sydney and Melbourne which supplied the fast expanding mining industry.

In 1960 Australian Iron & Steel Pty. Ltd. installed the largest steel cord underground conveyor in the world, being some 1900 metres centre to centre with a lift of 518 metres and a capacity of 600 long tons per hour. This was quickly followed by several similar installations and demonstrated the technical lead which Australian manufacturers had in conveyor technology. The design was 90% Australian input and apart from the steel cord belt all other equipment was manufactured in Australia. The conveyor structure was manufactured in accordance with the new Australian light weight standard and the load generated by the steel cord belt had minimum effect on the light weight structure after 12 years when a belt fire destroyed the installed structure.

In the period 1961 until 1980 a new generation of standard conveyor drive heads was also developed which catered for power ratings from 50kw to 400 kw using standard drives with speed ranges of 3.0 to 3.1 m/sec. Imports of conveyor drive heads and structure were less than ten percent of the market in underground coal mining.

The high quality of equipment available for conveyor projects opened up an export market for Australia for material handling systems in New Guinea, South East Asia, South Africa, North America and South America. From 1969 to 1972 there emerged two Australian companies who could compete in the international market in this field from a technical viewpoint.

Since 1980 however, the two major companies have since declined due to disputation in the metal industry by union activity and in 1985 the companies merged within a larger group which has failed to retain the market against overseas designs and importations. Staff losses have resulted in small manufacturing companies being formed by redundant design staff to manufacture barely disguised copies of conveyor drives and equipment. No major designs have emerged locally and the initiative in upgrading existing conveyor systems for which there is an expanding market has originated from overseas with subsequent importation of the equipment.

2.2.2 Diesel Tractors, Man Cars and Free Steered Vehicles

A little recognised application of diesel engines for off track vehicles was developed in Newcastle, Australia, in the form of a "Minesmobile". Developed from an agricultural tractor the unit quickly became a standard item of equipment in all Australian underground coal mines. Simultaneously, a rail mounted diesel man car was developed capable of speeds of 14 Km/hour and with a capacity for 14 men including the driver. Other systems introduced were Free Steered Vehicles. These innovations saw a 7% increase in output per unit shift in New South Wales mines in general.

Off-track mainly wheeled tractor was called Free Steered Vehicles in America and Europe. The major overseas mining equipment manufacturers have adopted this description to by-pass proprietary rights of the Australian innovators. This can be attributed to the fact that between 1965 and 1986, almost 90% of the deisel engines used in underground vehicles were imported from Abroad. These were then locally modified to meet the ventilation requirements of the Department of Mineral Resources, N.S.W.

Initially, only four firms in Australia supplied the local market but this was then increased to eight by the entry to the market of some overseas based companies with Australian subsidiaries. Australian designed vehicles modified with service facilities being marketed overseas by the parent company from overseas. These products are marketed under the company names without benefit to the Australian originators. The locally built unit became under pressure to compete in Australia with an imported vehicle originally developed in Australia because of lower labour cost from overseas.

All of these items are major capital expenditure items which required the minimum of design staff in the local office and therefore market potential evaluation tended to be controlled by job wise buyers, who in turn were entrepreneurial in outlook. Market saturation from 1960 onwards until 1982 was never a consideration and the fringe service industry thrived with no major input in development.

2.3 After Sales Business - Spares

To illustrate the need for definite objectives in the development of a modern technologically sound manufacturing industry it is appropriate to review the after sales activities subsequent to the completion of a contract or order for equipment.

2.3.1 Award Conditions of an Order or Contract

The award of a contract on an order for the supply of equipment is normally accompanied by a request from the client for a recommended list of spare parts and consumable items. The client will require such data to accurately assess tenders from the financial startpoint and also from the availability life of the equipment being offered.

2.3.2 Major Spares, Consumable Spares

The items of equipment classified as major spares, for example, gear units, motors, large pulleys or shafts can be placed in inventory stock at the client's discretion and only chargeable when required. Consumable spares on the other hand are normally purchased on a maximum/minimum basis when delivered.

The Spares listed form part of the original design package prepared by the supplier and as such is not simple to copy if the basis of the design is not known.

2.3.3 Patent Rights

It is not always in the best interest of a supplier to supply detailed design drawings on calculations in open tender conditions. For example, in the case of a bulk winder the purchase of a spare skip is essential to the effective maintenance of the system as this item is a highly specialised unit of design not readily copied. Similarly major drive shafts are not readily copied without detailed design criteria including steel specification and machining on heat treatment. Since the above items are normally long life items they are purchased or provided for at the placement of order on contract.

2.3.4 Effects of Loss of After Sales Business

In many cases the original supplier will not receive a second option for a similar equipment package and **Figure 2.1 (a)** shows the typical example of the effect of a mine winder contract on the sales of company F. where the contract improved sales figures only over the construction and final commissioning period. The company invested in research and development to meet local specific requirements with overseas technological assistance. Sales of consumable spares passed to local suppliers as soon as commissioning was complete whilst these suppliers received the benefit of research and development by the original suppliers. This results in product design stagnation since the technology is not advanced and the manufacture in this particular example dispensed with the design staff with the winding experience due to lack of orders.

Figure 2.1 (b) illustrates the problems associated with the conveyor industry where in the case of mining the major capital equipment consisting of the drive head, take up motors and control gear form only 40% of the total cost. The consumables, namely idlers and belting form 17% and 23% of the original cost respectively.

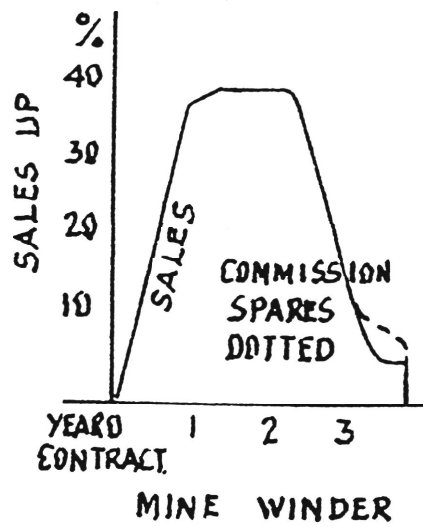
In the case of idlers the local small manufacturer will under cut the original supplier for spares since the design can not be patented effectively. No research is required to copy the idlers and therefore a local workshop can operate on a small 1/2% replacement delivery schedule to an operation.

Australian major conveyor manufacturers pioneered the design of lightweight balanced idlers but because of pirated idler spares the research and development of new designs has ceased only to be replaced by overseas designs manufactured under licence to the parent company.

Figure 2.1 (c) shows a similar trend in the design supply and manufacture of transport equipment for the mining industry. In this case the original designers of a new or prototype vehicle have failed to obtain the market position due to the undercutting of the overhaul and repairs market by local workshops.

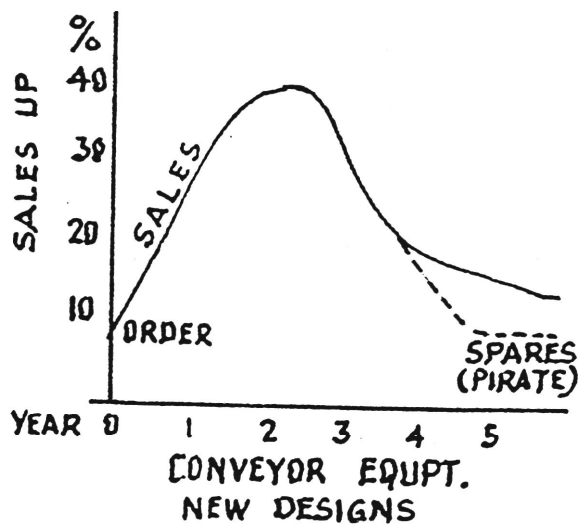
Figure 2.2 shows company F statistics highlighting the steady rise of contracts or orders in the period 1967-1980 corresponding to a similar rise in research and development. The effects of the growth upon the companies vulnerability to trade union wages pressure is shown and is the subject of study in Chapter 3.

These figures are graphic confirmation of the continually high failure rate of small manufacturing businesses which can be recognised as wild cats etc. (Devenport, 1983). In addition, the concern at government level cannot be more clearly shown as evidenced by their initiatives in forming a research and development association. The need for effective marketing is also identified by the loss of prospective overseas markets due to undercutting procedures.



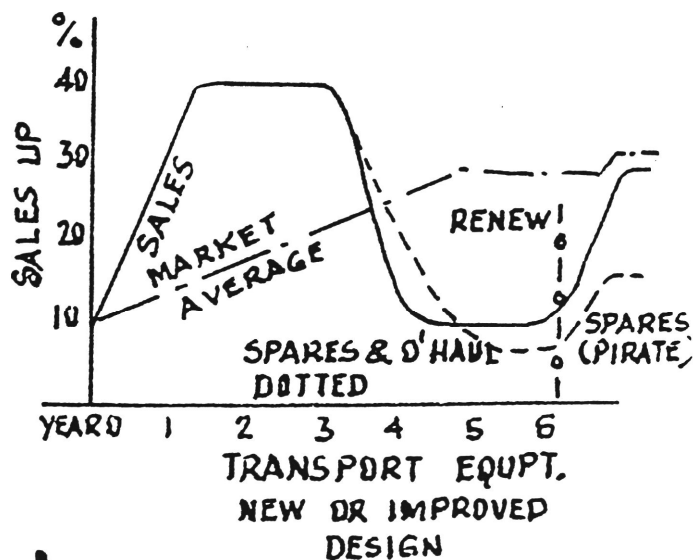
Mine Winder

One off requires o'seas input due to lack of demand. No response from local small manufacturer.



Conveyor Equipt.
New Structure Design

To improve production cost of installation and withdrawal.



Transport Equipt.

High wastage equipt. subject to buyer's "Fad" and usually undercut by small concern. Subject to local small.

FIGURE 2.1 INFLUENCE OF NON GENUINE CONSUMABLE SPARE

PARTS ON SALES OF THE EQUIPMENT MANUFACTUREER

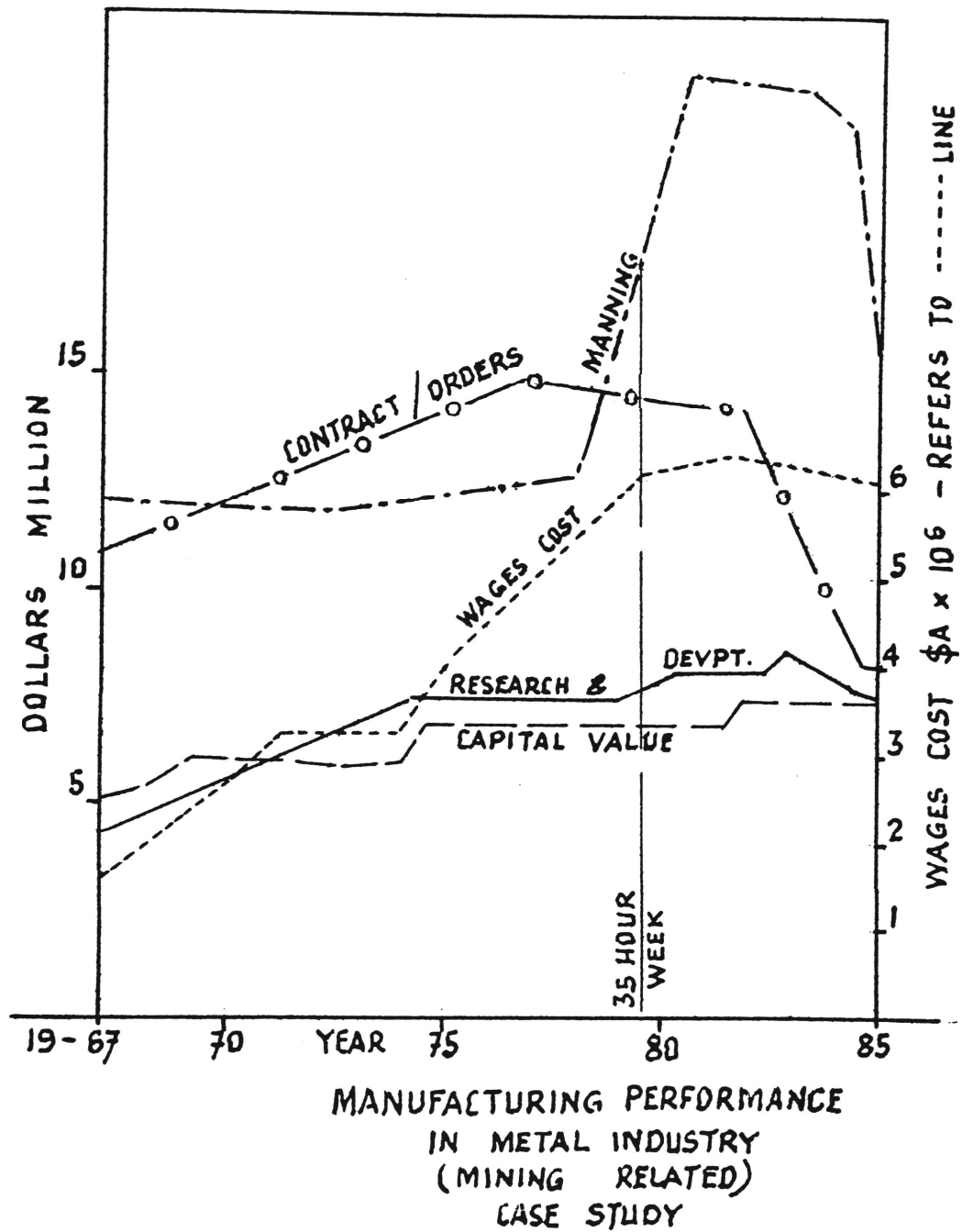


FIGURE 2.2 COMPANY F STATISTICS WITH RESPECT TO MANUFACTURING PERFORMANCE, WAGES, RESEARCH AND DEVELOPMENT BETWEEN 1967 AND 1985.

2.4 Summary

The need to understand the market forces and its behaviour as practised in Australia is one of the prime characteristics of successful management. A product manufacturer may not last long unless there exists a continual and healthy need for its products and therefore it is important that a manager should be aware and appreciate the lack of return of research and development funding due to pirated non genuine spares. The manager must understand and appreciate the challenges ahead with regard to the marketing of its products and must therefore allow for such eventualities and must be able to overcome by better product design.

CHAPTER 3

INDUSTRIAL UNRESTS AND THEIR CONSEQUENCES

3.1 Introduction

The Australian metal manufacturing industry in the first three decades of this century was basically a service industry to the domestic market depending largely upon imports of capital equipment from Europe to service coal mining, metal mining and agriculture. During this period the development of the two major iron and steel producing areas of NSW at Wollongong and Newcastle, following the closure of the Hoskins iron and steel works at Lithgow, marked the beginning of a soundly based heavy industry. New coal mines were developed and these in turn brought a demand for metal products together with a demand for consumable spares which could be manufactured locally.

After the second world war the B.H.P. steel works at Wollongong and Newcastle were rapidly expanded to meet the population expansion of that period. Australia was no longer an island protected by distance as a result of developments in aviation and she could no longer rely on the mother country for protection.

The steel industry was by 1960 in a position to supply 80% of the raw metal required for the domestic and for the industrial market. Metal working companies were quickly established to respond to the expanding market. This period saw the emergence of major trade unions who quickly set out, by the process of industrial disruption, to demand a share of the boom profits made in a labour starved economy. The coal mining industry, expanding by the demands of the expanding Japanese market, encouraged metal manufacturing companies to invest in servicing that industry.

Company F is an example of a manufacturing company developed for the purpose of servicing the mining industry and this Chapter deals with the rise and decline of the company due mainly to industrial unrests.

3.2 Background to Company F

Company F was formed initially by coal mining entrepreneurs operating very successful mines in Burragaron Valley, NSW. Some of these mines are still in operation today. To diversify the company interests a small manufacturing industry was set up which was designed to service the company mines. Since the background of the organisation was coal mining the expertise and experience gained resulted in the mining machinery offshoot expanding into the open market mainly in the conveyor area initially. This expertise was demonstrated by the completion of a conveyor system designed, manufactured and installed by the manufacturing branch in the Burragaron Valley known as a zig-zag conveyor complex. (Ref. Colin Smith).

From this beginning there developed a leading mining machinery manufacturer in Australia which finally competed in open market tenders for major works in Australia and overseas projects. Figure 3.1 shows the management structure of Company F in 1960.

The coal mining and manufacturing branches of the company were sold off to an American investor in 1965 and the coal mining operation was separated managerially from manufacturing with each operating independently with common directors.

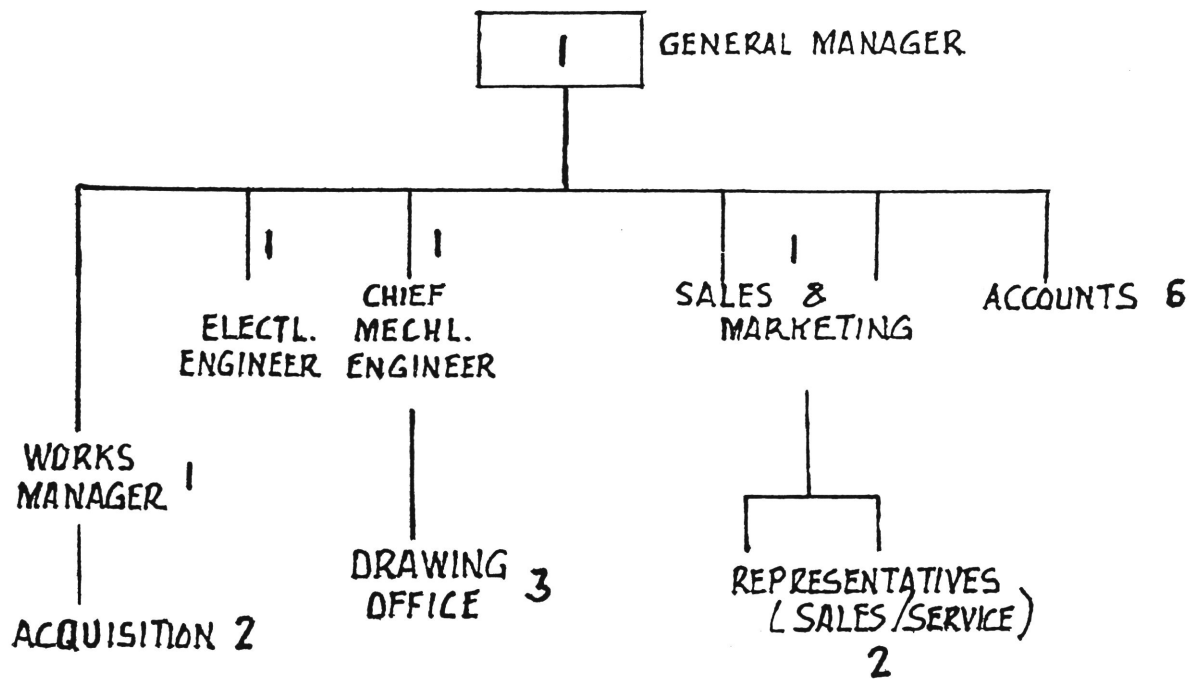


FIGURE 3.1 MANAGEMENT STRUCTURE OF COMPANY F IN 1960

From the period 1965 to 1969 the manufacturing branch of the American owned company was a leading exporter of conveyor equipment and materials handling equipment exporting in South East Asia and North Africa. **Figure 3.2** shows the management structure subsequent to takeover.

The success of the company attracted the attention of overseas investors who in 1969 were actively diverting large capital resources from mainly unstable political areas into a booming Australian economy. A Canadian firm successfully bid for the F Manufacturing Company and combined other locally owned subsidiaries into one organisation. The management structure was maintained as in **Figure 3.2**.

The manufacturing branch continued to expand into the Australian and overseas market and obtained manufacturing licensing from the USA and the UK for major capital equipment required to develop the expanding coal industry. These items of equipment involved packages of \$18 million for single orders in some cases. **Figure 3.3** shows the management structure of the company with staff dedicated to marketing and this highlights the urgent need at that time for a market plan for the Australian exporters.

The growth of Australian based metal manufacturing and export business presented a new challenge in the field of marketing since this area was new to the emerging companies, where a surplus of manufacturing capacity was envisaged as the capital investment programmes in steel, iron and to a lesser degree coal mining slowed down in 1972. Company F continued to prosper throughout the period between 1970 and 1980 with orders being at an all time high as shown in **Figure 3.4**. **Table 3.1** shows the details of company F in 1980. **Table 3.2** lists the employees on payroll of the Company F as of 25th February, 1981.

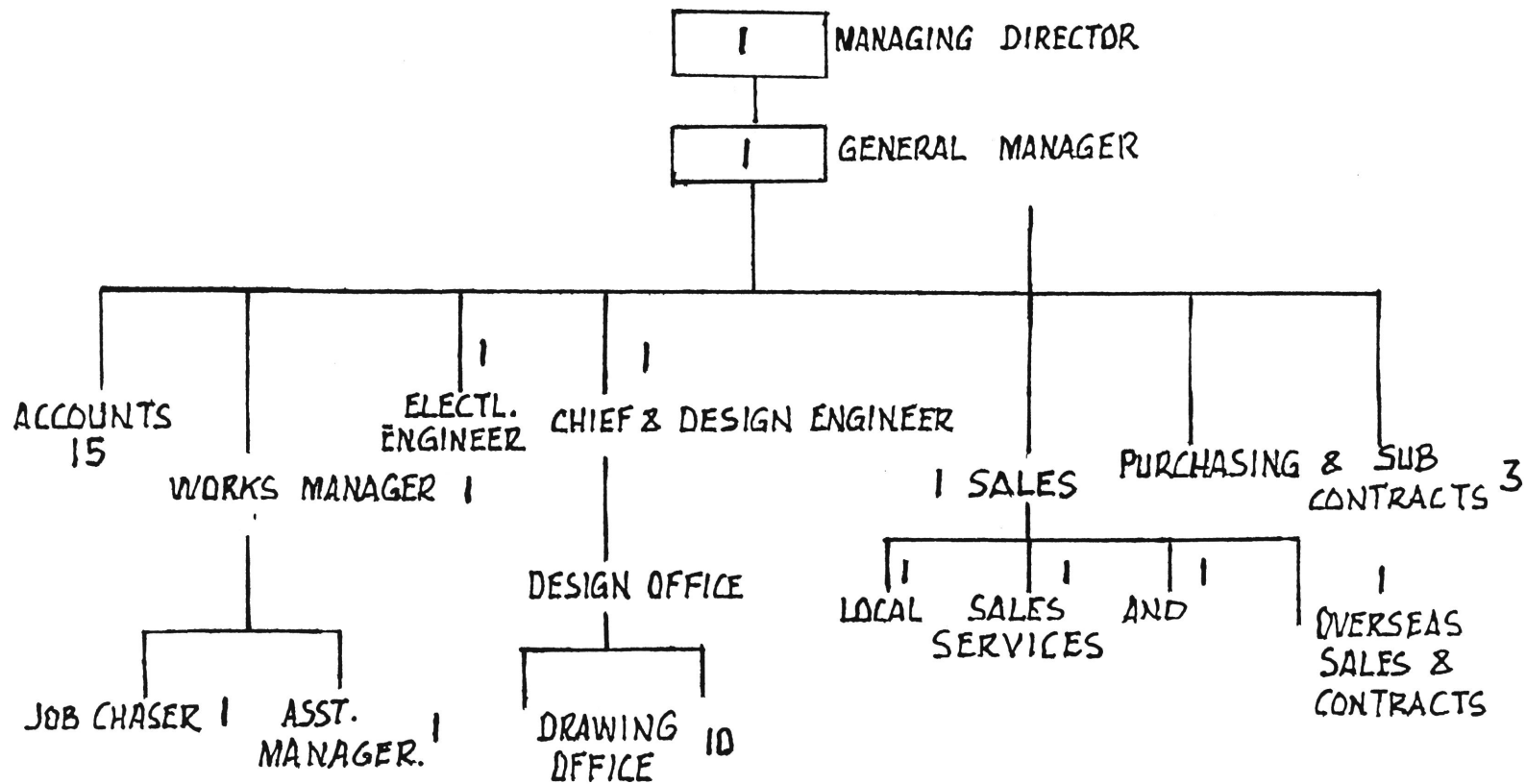


FIGURE 3.2 MANAGEMENT STRUCTURE OF COMPANY F IN 1970

Table 3.1
Details of Company 'F'

Company "F" Manufacturing (1980)

Capital	A\$ 9,876,000
Manpower	264
Export Contract Values	A\$ 150,000,000 (1970-1980)
Local Contract Values	A\$ 11,000 (Being completed).

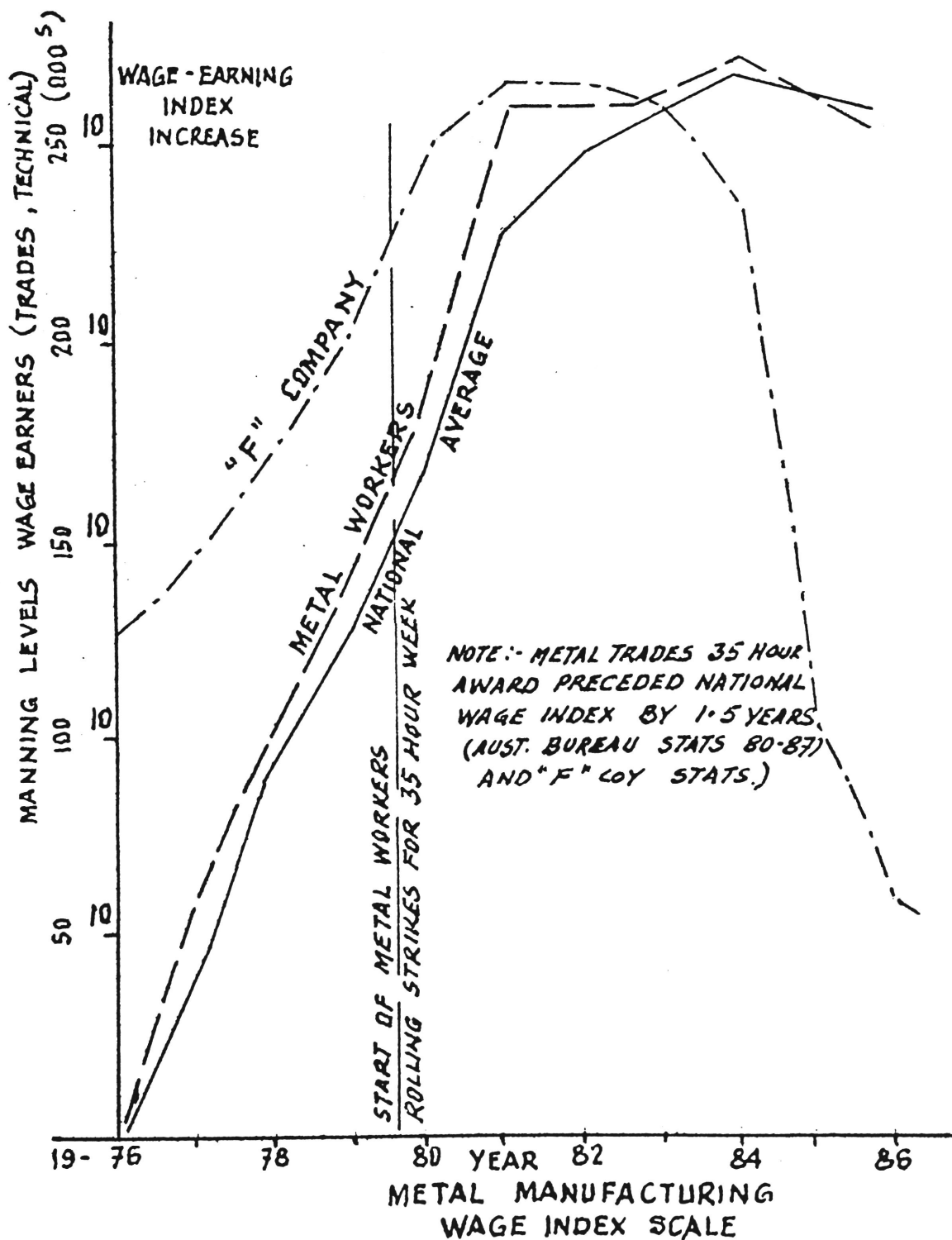
Equipment Manufacturing Capacity - Types of Equipment

1. Conveyors, driveheads, structure, ancillaries.
2. Drilling and exploration.
3. Continuous miners, shuttle cars, ration feeder breakers.
4. Longwall - Agency and Joint Venture with leading U.K. based Company.
5. Railway equipment - diesel, diesel/electric, battery
6. Tractors, trailers, free steered vehicles.
7. Automotive industry specialised equipment for material handling.
8. Mine fans.
9. Mine winders.
10. Steelworks/Blast furnace material handling.
11. Aircraft industry - 747 tractors.
12. Sub-contracts Ford, GMH and USA - small fabrications, specialised castings.

Table 3.2

Employees of Company F as at 25.2.81

Section	Tradesmen	Apprentices
Fitting Shops	43	18
Machine Shops	47	17
Fabrication Shop	86	22
Press Shop	27	3
Painters	7	-
Electricians	8	3
Store	16	-
Yard	6	-
Total	240	63



FIGUT4RE 3.4 THE EFFECT OF THE INCREASED WAGES AND INDUSTRIAL DISPUTES ON THE PERFORMANCE OF COMPANY F BETWEEN 1976 AND 1986

3.3 Industrial Disputes

During the successful years of the company F operations, an industrial dispute occurred spanning over a period of four years (between 1977 and 1981). This dispute occurred between the Metal Workers and Shipwrights Union and the Australian Metal Manufacturing Industries.

The Unions had been, for some 3-4 years, campaigning for the introduction of a 35 hour per week practice which was not acceptable to the Metal Manufacturing Industry. As a consequence a number of companies were targeted for industrial unrest in the form of strikes, restrictive work practices, etc. Company F was one of several mining manufacturing companies targeted for the industrial dispute. **Appendix (a)** describes the record of the industrial dispute in chronological order.

This disputation placed company F in a very difficult position with regard to retaining the confidence of major clients who had placed a substantial order for engineering equipment. The relationship between the contractor and the clients is dealt with later in this chapter.

As the campaign of industrial unrest dragged on the employers generally together with the Federal Government declared their opposition to the campaign. However this did not have any influence on the Union's attitude. **Figure 3.5** shows the increased level of employee's lost days during the period of industrial dispute.

On October 31, 1980, Metal Workers at a mass meeting throughout Australia voted overwhelmingly to call off the 35 hour week campaign. This meant that virtually the whole Metal Trades workforce of 600,000 had dropped out of the 35 hour week campaign, with exception of several mining manufacturing companies including the employees of Company F.

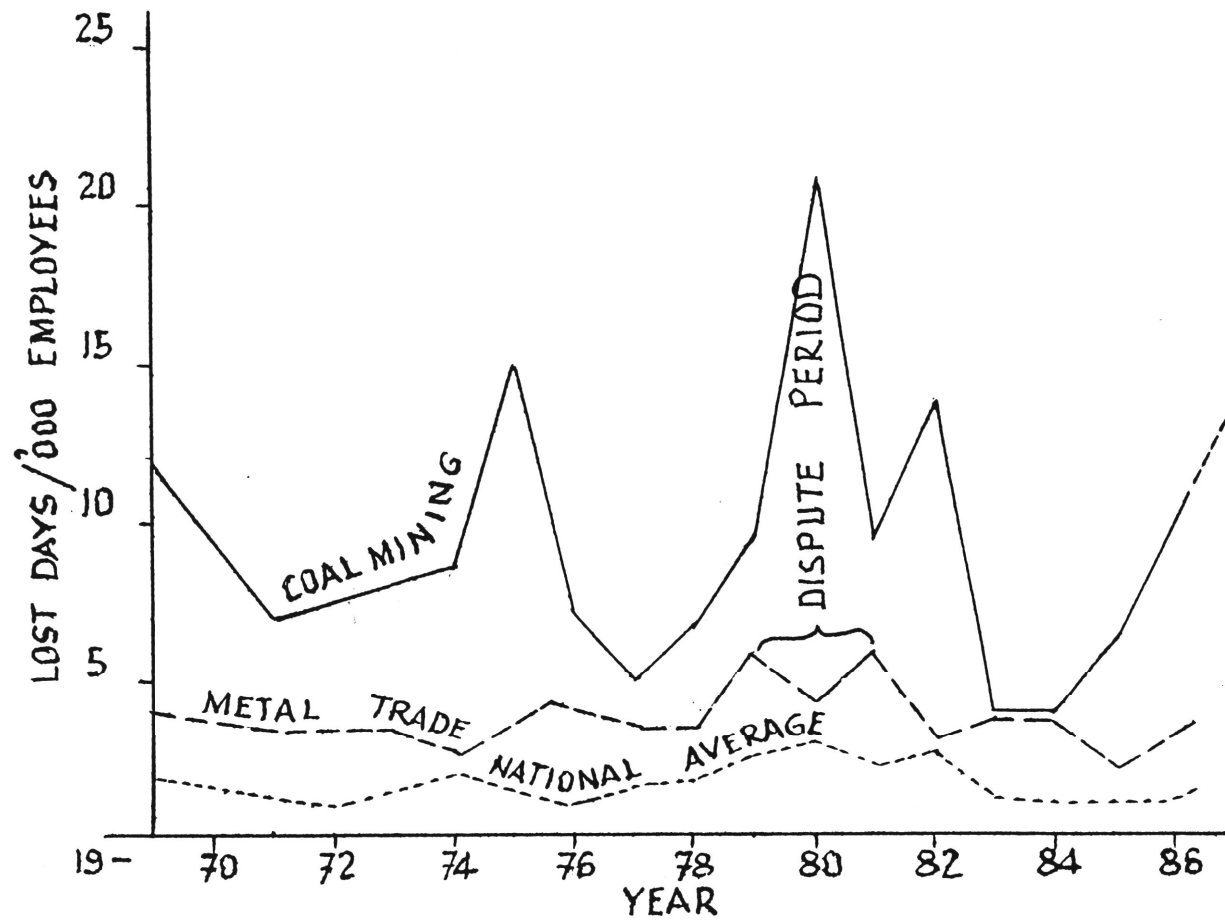


FIGURE 3.5 INCREASED RATE OF LOST WORKING DAYS DURING THE INDUSTRIAL DISPUTE PERIOD

As neither side was prepared to make any concession, the issue was referred to the Australian Conciliation and Arbitration Commission. The commission sat for hearing on Monday 10th November 1980 at 2.20 p.m. The Commission was headed by Mr. Commissioner Bennett. Also present in the hearing were representatives of the following:

The Metal Trades Industry Association;
 The Amalgamated Metal Workers and Shipwrights Union;
 Electrical Trades Union;
 The Australasian Society of Engineers;
 Federated Ironworkers Association.

The Commissioner Mr. Bennett advised that the present dispute was contrary to the established agreements and advised that for the trade unions to make applications to the commission for a variation of the existing awards of 40 hours of working week or alternatively to fall in with whatever the ACTU decides, (that is the 35 hour week must be decided by arbitration and not by strikes). **Appendix A3** contains the transcripts of the proceedings of the Australian Conciliation and Arbitration Commission. (Federal Government Archives, 1980).

Following the Arbitration's statement Company F submitted a proposal to end the campaign and return to the normal working situation. At the meeting with Shop Stewards the F Manufacturing Company proposed the following:

- . An immediate review of the over-award payments to the employees.
- . Resolving any disagreement about the holding of the Christmas Party as soon as possible.

In return the Company F requested that the Shop Stewards put to the vote that "The employees of F Manufacturing Company follow the rest of the Metal Trades Workforce of 600,000 throughout Australia and drop 9 day / 70 hour fortnight campaign until the A.C.T.U. Union Executive can find a better way of conducting the campaign."

The proposal was rejected by the Shop Stewards which meant the status quo situation. The Shop Stewards also demanded that the company stop communicating with its employees by letter in future.

As the dispute continued to drag on the Company F notified the Arbitration Commission of the continuing existence of the dispute on the Company's shop floor. **Appendix A.3** contains the details of the submission by Company F to the Conciliation and Arbitration Commission on 23rd February, 1981.

The Conciliation and Arbitration Commission sat for hearing on the 11th March, 1981. Commissioner Bennett said that he had found that sometimes it was possible to make suggestions to parties in a dispute that might lead to settlement. The Commissioner indicated that this dispute was a serious one and was affecting both the company and the employees.

Commissioner Bennet made the following recommendations: (ACAC, 1981).

1. There is to be a resumption of work on the basis of the situation as existed 17th December, 1980.
2. The Company is to withdraw its notice of the 18th December, 1980 with respect to annual leave.

3. The Company is to withdraw its notice of the 11th February 1981 with respect to the collective refusal to carry out normal duties.
4. He is prepared to arbitrate on the matters of:
 - (a) Payment for ironworkers suspended for part of a day and continuing days in December, 1980 because of selective bans.
 - (b) Payment for public holidays for ironworkers over the Christmas period.
 - (c) Payment to employees for the period of time they have been stood down.
5. Upon a return to work, the parties are to confer on items 2 and 3 of the Company's statement of the 10th March, 1981 as handed up to the Commission at its Hearing of the 11th instant.
6. As to the matters to be arbitrated he indicated he had a heavy commitment list with the first day available being the 25th March, 1981.
7. He set down for hearing at 2.15 p.m. on that day, the questions to be arbitrated.

Following the Arbitration decision handed down by Commissioner Bennett, the Unions returned to work under the original condition of employment, i.e. 40 hour week. The damage of industrial unrest had become so deep seated that the company lost its credibility with clients. This resulted in the demise of the Company as a major supplier to the mining industry. The Company was later sold off and the industrial complex was sold and is now a series of small warehouses with no manufacturing taking place and with a total workforce of 14 employees.

3.4 Contractual Obligation During Disputation Period

As stated previously that the industrial dispute placed the F company in very difficult situations with various clients, the problem of meeting the deadlines for the supply of the products was becoming increasingly difficult to achieve. Company F maintained in contact with the clients, informing them of the latest with regard to the industrial dispute.

Appendix A.4 is a typical letter forwarded to the clients.

Where an extension of time was sought by the contractor due to industrial troubles, one of the major client's first step was to recommend that the work be contracted out of the disputed arena in order to avoid prolongation. Such demand, if it was possible to achieve, would have been to the cost of the contractor since the client was uninvolved. Note, however that since a large trade union was involved, it was feared that an embargo could be placed on any firm undertaking to do the work and this occurred when an attempt to place contract outside was made.

Since this particular industrial section was not a dispute in a true sense (that is, the trade unions were not in direct dispute with Company F per se but they were in dispute with Australian Metal Manufacturing Industry as a whole and that the unions wanted to use company F as a precedent to achieve their aims,) the client therefore accepted that "force majeure" could be applied to permit some prolongation of the contract provided that the contractor would only claim the Consumer Price Authority increases for work completed but no claims for overtime or bonus payment would be recognised.

From December 1977 until the completion of the contract in 1981 the relation between client and contractor became increasingly strained due to the lack of progress on the project.

Another major overseas client remained aloof from the site operations from an industrial point of view. The overseas country's local trade unions strongly supported their Australian Counterparts and generally operated on a go slow/overtime ban and intermittent stop work meetings similar to the tactics used at the base factory in Australia. It is worth noting that the contractor did not carry out any preliminary study on the views and intentions of the overseas client country's trade unions.

The attitudes of the overseas client nevertheless can be described as being far from supportive. There were a number of instances where the overseas client attempted to force the contractor to transfer part of the work to overseas sub-contractors and basically accept conditions which would have created the precedent with the Australian Unions aim thereby achieving a fait accompli. **Appendix A.5** is a record of the progress report dealing with the overseas client's project. The overseas client's unsupportive attitude is shown in the letter subsequent to the meeting 4 and 5 December, 1980

3.5 Consequences of the Industrial Unrest

With the continuation of the industrial unrest, even after the strike was called off, the following effects were noted:

1. Company F began to loose contracts as well as failing to meet future contractual obligations. (**Figure 3.4**).
2. The company re-examined its investment in manufacturing of mining equipment.
3. A number of employees were retrenched due to the lack of new orders.
4. The company lost its prestige in all its entirety and did not regain full operating capacity, eventually abandoning major contract opportunities.
5. Export orders were lost and also imported equipment replaced the traditional Australian made equipment supplied by Company F.
6. Technical expertise has been lost and to-date much of the equipment supplied in major projects are overseas based.

3.6 Conclusions

Industrial actions should be avoided where there is no cause for such action through any fault of the employer. Such disputation as that dealt with in this chapter has had the following consequences:

- (i) A decline in the technological know-how of the country.
- (ii) Undesirable balance of payments problems brought about by the fact that a high percentage of mining equipment is presently being purchased from overseas.
- (iii) Losses of job training for apprentices which demonstrates the effect on future availability of higher skilled workers.

Following the disputation, F company performance continued to slide, to a present level of not more than a handful of employees involved with mostly maintenance operations as a serving role.

The disputation led to the management restructure with the Managing Director at the time being invited to join the Board of the parent company, which subsequently headed the Australasian operations, with diverse interests. On such interest was gold, which is the subject of study in Chapter 4.

UPGRADING KIDSTON GOLD MINE -

A Development Challenge of a Low Grade Deposit4.1 Introduction

Following the adverse effect that the industrial disputation has had on the company F performance, the parent company began to assess its position with regard to coal mining and manufacturing industry. Recognising the potential of the company F management, the parent company transferred a selected management staff to its headquarters. The managing director of company F becoming the managing director of the parent company, Australasian operations. The parent company had other interests which included lubrication products and base metal mining with special emphasis on gold mining.

The first task of the new management structure of the parent company (called P company) was to conduct an in depth study on the future investment direction of P company. A decision was reached to invest away from coal and mining machinery manufacturing operations. The main factors considered were:

- The poor return of manufacturing products caused by the 35 Hour Week Campaign. (Figure 3.4).
- A possible decline in the coal industry with Japan cutting prices for coal.
- The declining value of the Dollar in Australia.

Attentions were then focused on increased investment on gold exploration and mining in Australia. This increased level of interest in gold was due to:

- Improvement in price of gold in world market against all other metals as shown in Figure 4.1.
- The tax exemption of the gold mining operations in Australia

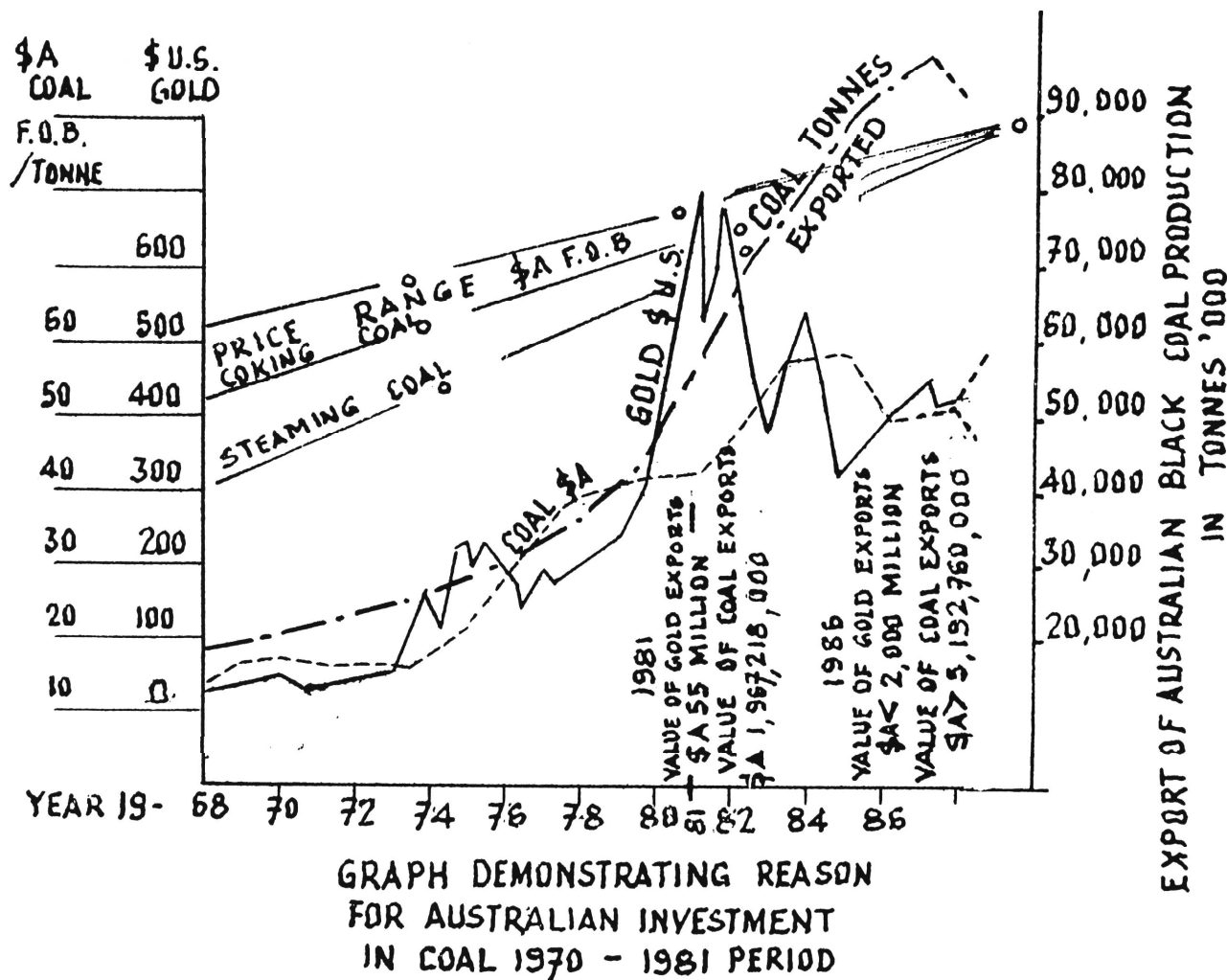


FIGURE 4.1 COMPANY P FIVE YEAR PAY BACK INVESTMENT RETURN PLAN. GOLD VERSUS COAL, 1982 - 1986.

(Actual return of investment at kidston 1.5 years)

- Improved exploration technology available in the form of landsat coupled to advances in the field research technology opened the door to investors.
- Availability of more advanced, high capacity earth moving and excavating equipment capable of mining deposits at much greater depth. Old mining areas were a ready made stepping stone particularly old alluvial developed workings which could be re-developed as deep open cut prospects.

The tax exempt nature of the Australian gold mining companies produced a direct incentive and this, coupled with a real drop in wages cost over the past six years, has made for a low cost operation comparable with world costs. The trend has been to short term prospects initially with yields as low as 2.0 gm/t, but with a significantly low investment cost. This type of operation can be geared to fluctuating gold prices on the world market.

Kidston Mine, whilst not in the very low capital cost category, is a prime example of a development exercise which has not only tackled the technical aspects but has examined and applied a social exercise in the field of human relations.

The investment and profit analysis was not based on typical accounting procedures where a discounted cash flow exercise determines the viability of the project. A fresh alternative approach was to determine the projected commodity prices and then determine what the mine needed to look like in order to make it economically feasible.

This chapter is concerned with the methods and procedures adopted for the development of the Kidston Gold Mine. The need for management decisions based upon expertly engineered operations carrying the minimum of contingency capital is described. This being the ultimate measure of the management, engineers and other professions which were engaged in the development of the mine.

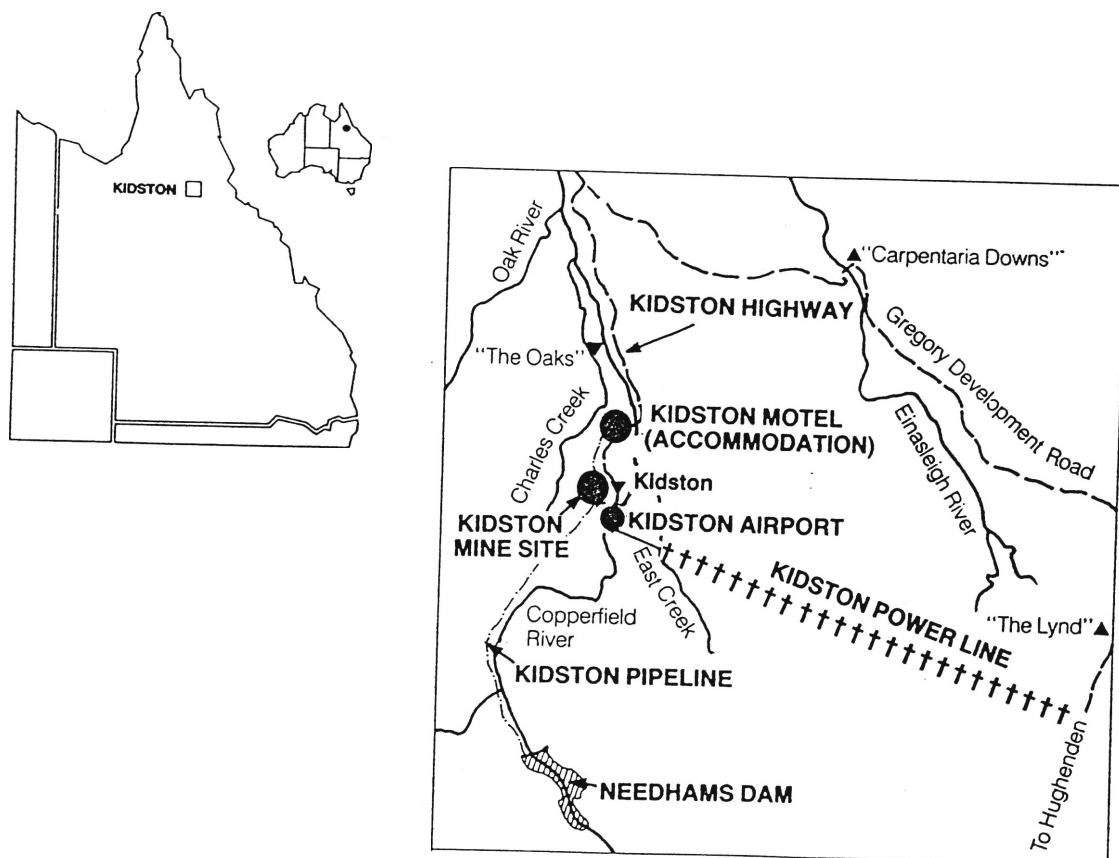


FIGURE 4.2 LOCATION OF KIDSTON GOLD MINE

4.2 History of Kidston Gold Mine

Alluvial gold at Kidston was first discovered in 1907 by a prospector Charlie Mack, after whom the mineralised zone initially worked was named. One of the richest patches of alluvial gold was discovered by Jack Wise after whom Wise's Hill has been named. Within several months, the field was reported to carry between 1500 to 2000 people. The field came to be known as "The Oaks rush Goldfield" after the nearby Oaks Station. (Figure 4.2).

In May 1908, the goldfield was re-named Kidston after the then Premier of Queensland, the Hon. William Kidston. By 1911 the alluvial deposits were quickly exhausted and the population dropped to about 600. Small scale open cut and underground mining continued with varying profitability. For example, in 1940 the Kidston Battery crushed a total of 7,380 tonnes of ore for a return of only 20.062 kg (624 ounces), i.e. one ounce per 12 tonnes. In 1948, 5.402 kg (168 ounces) were obtained from 1623 tonnes (i.e. one ounce per 10 tonnes) and as a result, the Kidston State Battery was closed down in 1949. A total of 1260 tonnes (45,000 ounces) of gold were reported to have been obtained from 200,900 tonnes of ore mined at Kidston during this period.

The first cyanide treatment plant was constructed at the Oaks Liability Company Mine in 1914 to exploit the lower grade ore available from open cut operations. A second plant was installed at the Kidston Syndicate Battery in 1915. In 1922 a State battery was erected at Kidston and this continued operating until 1949 when operations ceased.

From 1922 onwards the output of ore dwindled to 6029 tonnes in 1939 from a total of 22 mines producing only 22.99 kg. (715 oz) of gold roughly 1 oz. per 10 tonnes of ore mined.

The social aspect of the Kidston development from the start of the boom is best appreciated from the Kidston school enrollment records **Table 4.1**. The school closed in 1955.

In 1980 exploration for mining at Kidston was carried out by the Company P. An initial evaluation estimated 6.1 Mt of mineable ore grading at an average of 2.42 gm/t gold. The proven reserves stood at 34.6 Mt grading 1.86 gm/t gold and 2.27 gm/t silver, together with an additional 10 Mt of probable reserves and some 20 Mt of possible reserves.

4.3 Location, Geology and Reserves of the Mine

The Kidston gold mine is located in Northern Queensland, some 280 km. north west of Townsville. (**Figure 4.2**). Two economic gold deposits have been identified on opposite sides of a near vertical breccia pipe. (**Figure 4.3**). The pipe penetrated granitic and metamorphic rocks of a continual crust segment known as the Georgetown Block. The predominantly proterozoic basement rocks of the block have been subject to a number of both extrusive and intrusive magmatic episodes in the Proterozoic Carboniferous, Permian and Cainozoic periods. (**Butler, 1984**).

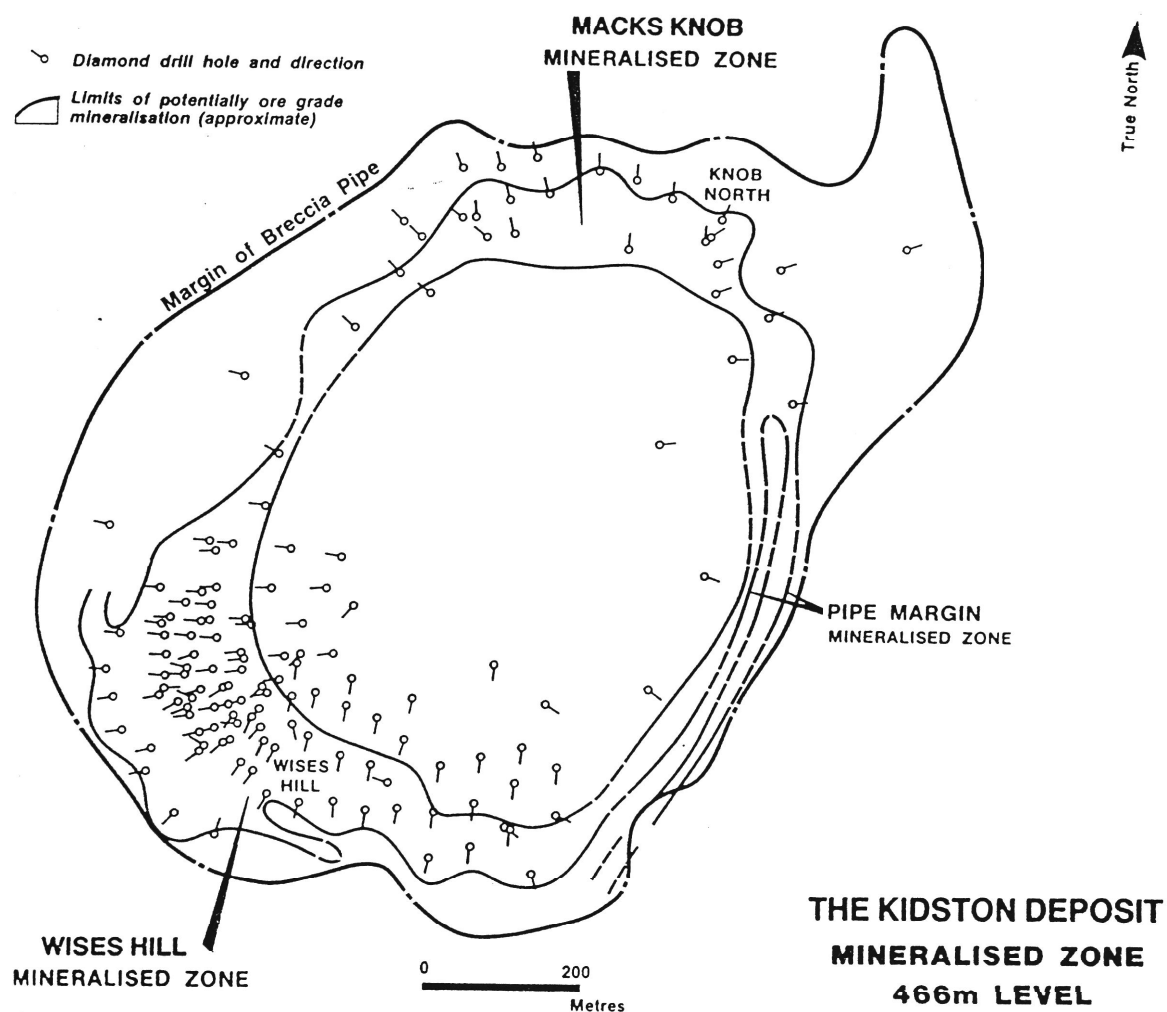
Two sub-circular intrusive complexes of Permian age lie 15 km and 40 km respectively south of Kidston. These are the Lachaber granite and the Bagstowe Ring Dyke Complex. The Kidston breccia pipe lies on the line of centres of these complexes and may well be related genetically to the thermal event which generated them.

Table 4.1Kidston State School Enrollment (1909 - 1930).

Year	No.		Year	No.
1909			1931	24
1910	39		1932	24
1912	40		1933	28
1913	57		1934	23
1914	81		1935	19
* 15	55		1936	18
* 16	36		1937	18
1917	55		1938	21
1918	60		1940	23
1919	58		1941	19
1920	54		1942	34
1921	37		1943	21
1922	58		1944	16
1923	44		1945	26
1924	37		1946	21
1925	34		1947	28
1926	24		1948	30
1927	21	Ore crushing -	1949	27
1928	21	battery closed	1950	20
1929	20		1951	17
1930	20		1952	12

* Decline in ore grade.

The school closed in 1955.



**FIGURE 4.3 MINERALISED ZONE AT KIDSTON DEPOSIT AT
466 M LEVEL**

The Kidston breccia pipes is a zone of rock fragmentation, induced by pressure build-up and release of escaping volatiles generated by magma at depth. The zone is near vertical and is oval in plan, being some 1300 m. in a NE/SW direction and 900 m. NW/SE. The fragments range from very large to less than 10 mm. in size. In those parts of the pipe where the gold grades reach economic levels the fragments size ranges up to 300 mm., but is mostly less than 100 mm. in maximum dimension.

4.3.1 Mineralisation

Gold and silver are disseminated within the breccias and in veins. The disseminated gold is contained in a band which lies close inside the pipe margin on the northern, eastern and south-western sides of the pipe. The band is generally less than 80 m. wide, but increases to about 120 m. on the north side (Macks-North zone) and to 200 m. at Wise's Hill on the south-west side. The band dips inward, but at least at Wise's Hill it has been shown to dip shallower than the pipe margin at increasing depths. Figure 4.4 shows the plan of the Kidston deposit mineralised. The plan shows the oxidised transition and primary ore at Wises Hill.

4.3.2 Reserves

Evaluation of the deposits relied heavily on the results of diamond drilling programmes which totalled 22,273 m. in 145 holes as indicated in Figure 4.3. Proved ore reserves are defined as those ore blocks for which the grade has been estimated using six or more 12 m. bench composite values. Probable reserves are those ore blocks for which the ore grades has been estimated using either four or five composite values. Possible ore includes any block for which the grade was estimated using two or three composites, none of which were located within the block being estimated.

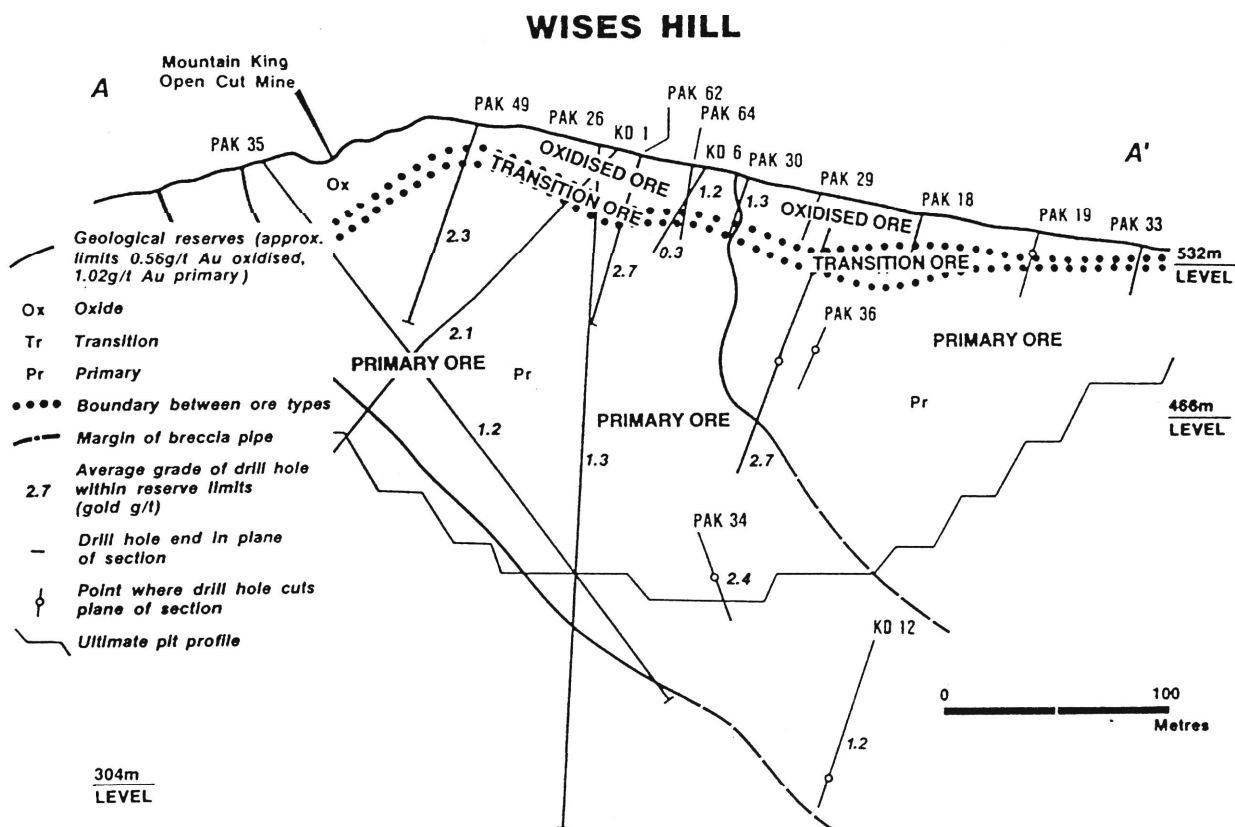


FIGURE 4.4 KIDSTON DEPOSIT MINERALISED ZONE SHOWING THE OXIDISED TRANSITION AND PRIMARY ORE AT WISES HILL

Table 4.2 shows the Proved and Probable ore reserves at Kidston Mine. The reserves were calculated based on a geostatistical interpretation of the mineral distribution and block values interpolated from assay composites using kriging techniques. These values were checked using manual polygonal estimation techniques. (Butler, 1984).

4.4 New Approach to Appraising the Kidston Gold Mine

Initial studies conducted on the possibility of reviving the Kidston mine concluded that the Kidston project was a relatively unattractive risk and therefore was rejected as uneconomic. Critical re-examination revealed that the rejection was based upon managerial inflexibility and traditionally over conservative methods of mine evaluation, construction, operation, project commodity prices, social problems and other contingency factors. A fresh alternative approach was taken which is described later in this chapter.

Table 4.2

Geological Reserves at Kidston Gold Mine

	Total Ore (tonnes)	Trade of Ore (grams per tonne)	
		Gold	Silver
Proven	36,250,000	1.83	2.14
Provable	8,180,000	1.51	2.25
	44,430,000	1.77	2.16
Possible	14,900,000		
Total	59,330,000		

4.4.1 Project Re-Evaluation

The traditional method of project appraisal is to determine what the mine would cost and then to determine whether it would be feasible in relation to the projected commodity prices. Faced with the prospect of an apparently uneconomic project, the Company P decided to adopt a new approach: first to determine the projected cash inflow based on probable commodity prices, and then on the basis of this, to determine what the mine needed to look like.

Studies conducted by Company P on the past evaluation of the project revealed unfavourable conservatism: almost every aspect of the infrastructure had been significantly over-estimated, sometimes by more than 300%. Examination of the plans, specifications, bills of quantities and so on showed unjustifiable over-estimations of quantities on even such items as housing and dams.

Scrutiny from 1981 to 1984 progressively reduced the capital cost estimate for the project from \$180 million to \$140 million. Manning level was reduced from 247 to 154 while at the same time raising the proposed level of ore production from 7500 t/d to 14,000 t/d.

Re-examination of the geological reserves showed a considerable amount of the more easily treated oxidised ore to be located on and surrounding Wise's Hill. Selective exploitation of this ore would enable the mill throughput to be increased similarly from 7500 t/d to 14000 t/d. As a result it was proposed that during the first years of mining the bulk of the mill feed would be oxidized ore and from 1992 onwards, the mill feed would comprise 100% primary ore. This would permit an increased cash flow during the early days of production and reduce the payback period.

4.4.2 The Kidston Gold Mine Town Vs. No Town

The issue of single industry town sites vs. commuting to work site has been the subject of considerable sociological research both in Australia and overseas (Brealy and Newton 1977) and Newton and Brealy (1979) and Baker (1981). Neil (1982 a. and b.), Neil (1983) and Neil, Brealey and Jones (1982).

Mining towns are expensive to construct and the possibility always exists for them to become psycho-social disasters. At Kidston, there was no town to speak of. The population comprised 11 people with an average age little over 75 years. About half a dozen dilapidated iron clad house-like structures serve as their homes. There was no store at Kidston, only a post box and a telephone box. it was therefore not necessary to find an economic alternative to a town that would improve the feasibility of the Kidston gold mine's prospect as a viable package. Cost of constructing an acceptable town to serve a mine with a possible life of around 15 years was yet another factor which led to the apparent economic unfeasibility of the Kidston project.

4.4.3 Commuter Mining: the Concept of Fly in and Fly out

Commuter mining was evaluated as a possible alternative to building a town. Special emphasis was focused on the concept of fly-in and fly-out with the mine workers to be recruited from Cairns, Townsville and the Atherton Tablelands. (Nogas 1976). Commuter mining offered the following advantages:

- i) Although the overall comprehensive costs of building a town and operating a commuter system are approximately the same, commuter mining changes the cost from a heavy front end capital expenditure to an ongoing operating cost which is distributed over the life of the mine.
- ii) Commuter mining enables better control over costs.
- iii) It provides better latitude over opening and closing the mine at short notice depending on favourable or unfavourable changes in commodity prices.
- iv) It overcomes the problem of deciding what is needed to make a "successful town", within the limit of what is economically feasible, given a mine life of 15 years.
- v) The workforce, and most importantly their families, will not need to relocate away from family and friends.
- vi) A constructed mining town is likely, because of cost and remoteness, to lack many facilities available in an established town community.

4.4.4 Labour Relations

The initial trade union reaction to "fly-in fly-out" was negative. Subsequently, the Trade Union Movement agreed to the operation of a programme with further review and evaluation to take place. In November/December 1984, the company commenced hiring its operations labour, centering its activities out of the Atherton Tableland, in the Cairns Hinterland.

4.5 Mining

Mining commenced on the Wise's Hill orebody on November 1984, initially to provide waste material for the completion of roads, the crusher ramp and the mine stockpile area. As the orebody outcrops, only minimal stripping was required prior to the mining of ore. Consequently, waste was also removed from areas of future mining to satisfy the pre-production requirement for 125,000 t. of waste material.

The mining operation is based on conventional shovel and truck techniques. Two P & H electric powered shovels fitted with 9.17m buckets, load 91 t. capacity Unit Rig Lectrahaul reardump trucks. Other mining equipment includes two rotary drills, two tracked bulldozers, one rubber tyred bulldozer, one grader and a water truck. Loading and hauling of ore and waste are carried out on a schedule of two twelve-hour shifts per day, five days a week.

The average ore production was projected to be 2.74 Mt/y but was considerably higher than this in the early years because of the ability of the plant to process oxide and transition ore at a greater rate than primary ore.

Waste removal will vary from 0.81 Mt. in 1985 to a peak of 6.77 Mt. in 1992. All waste is trucked to dumps while ore is either delivered directly to the primary crusher or taken to a run-of mine dump, or a low-grade stockpile for later processing.

4.6 Processing

The ore is initially crushed in a primary gyratory crusher and fed to a 25,000 t. live capacity stockpile. Ore is reclaimed from the stockpile using vibrating feeders and is conveyed to a two-stage grinding circuit consisting of an 8.23 m. diameter semi-autogenous grinding mill in closed circuit with screens, followed by a ball mill in closed circuit with cyclones.

Sodium cyanide and lime are added to the grinding circuit. **Figure 4.4** shows the flow chart for the Kidston treatment plant.

The cyclone overflow is treated in two parallel cyanidation circuits, each containing a series of five mechanically agitated tanks. Additional lime and cyanide are added to the feed.

The pulp is then pumped through two parallel, four-stage cyclone wash circuits. The coarse cyclone underflow is discharged from the fourth stage as tailing.

The finer cyclone overflow pulp containing the precious metal-bearing solution, flows to two high capacity thickeners operating in parallel. The thickener overflow solutions are treated in two parallel carbon column circuits, each containing five stages in series. Gold and silver are absorbed on to activated carbon and the barren solutions join the plant reclaim water system.

Thickener underflow pulps are pumped via trash screens to a single stream carbon-in-pulp circuit containing six mechanically agitated tanks. Barren slurry is discharged via safety screens to minimize carbon loss and pumped to the tailings pond.

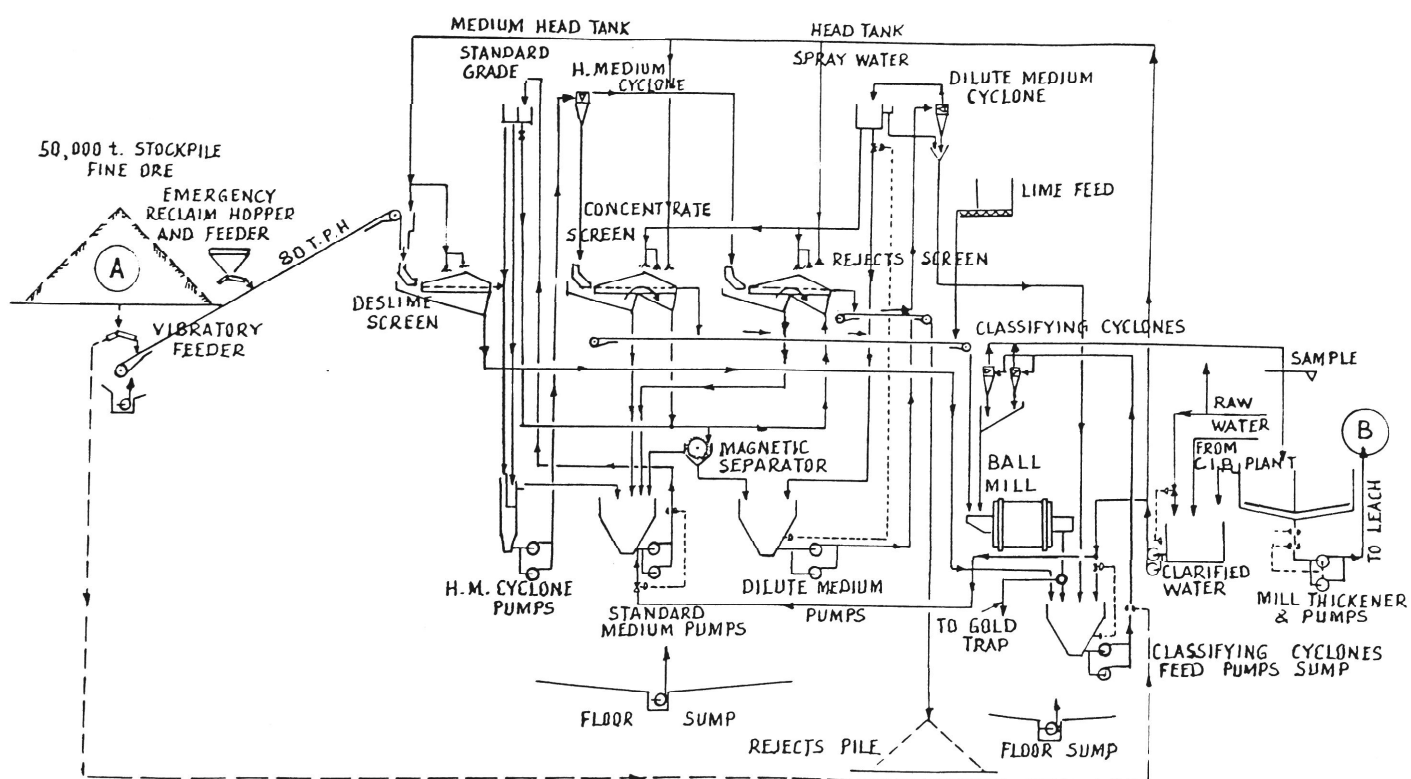
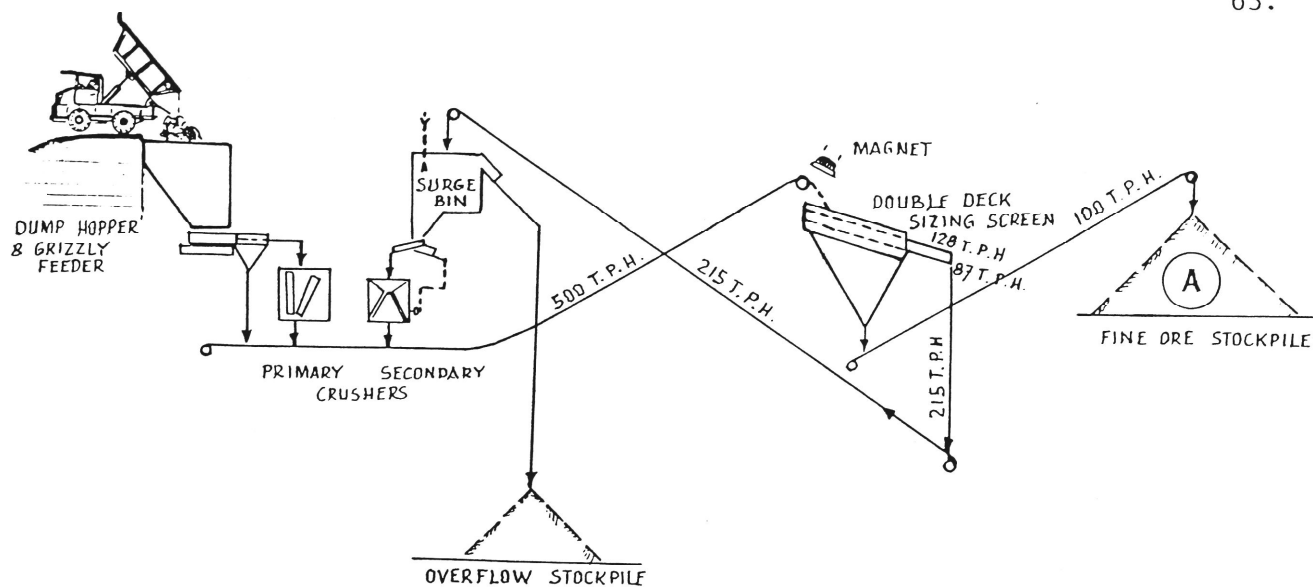


FIGURE 4.5 FLOW CHART FOR KIDSTON GOLD MINE TREATMENT PLANT

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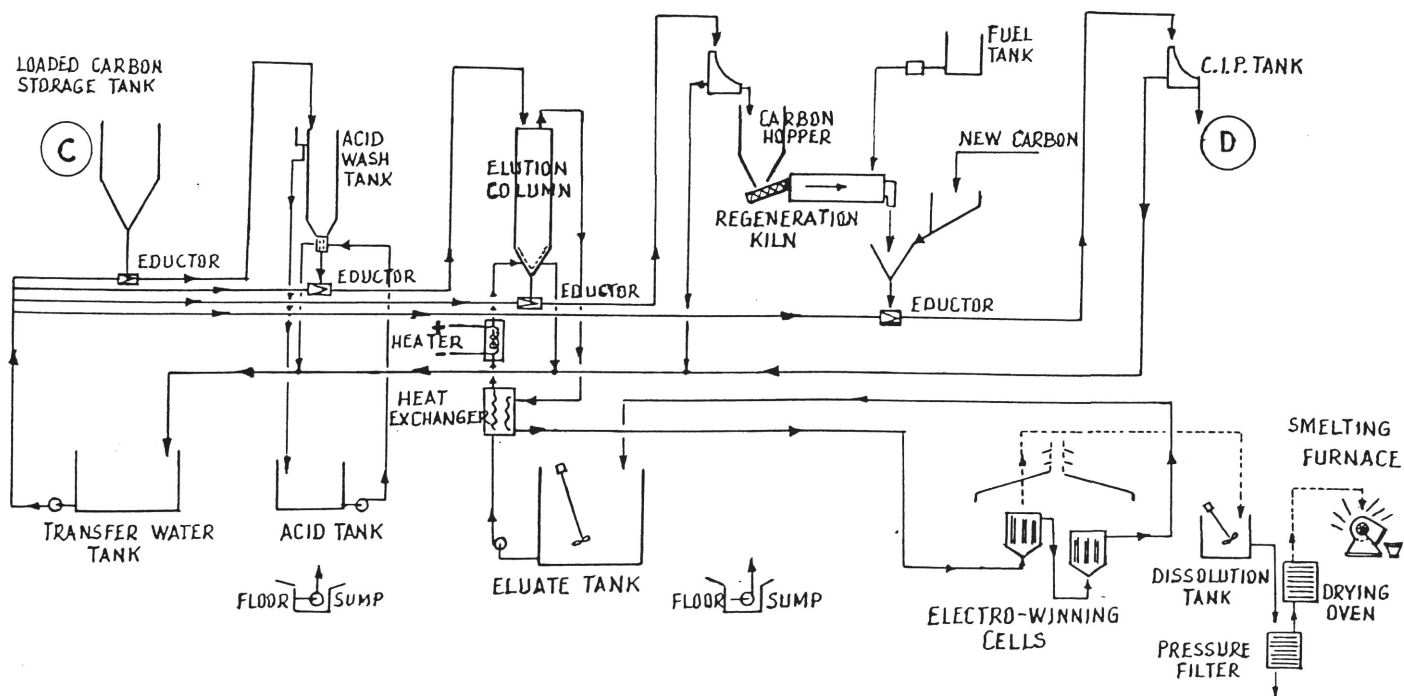
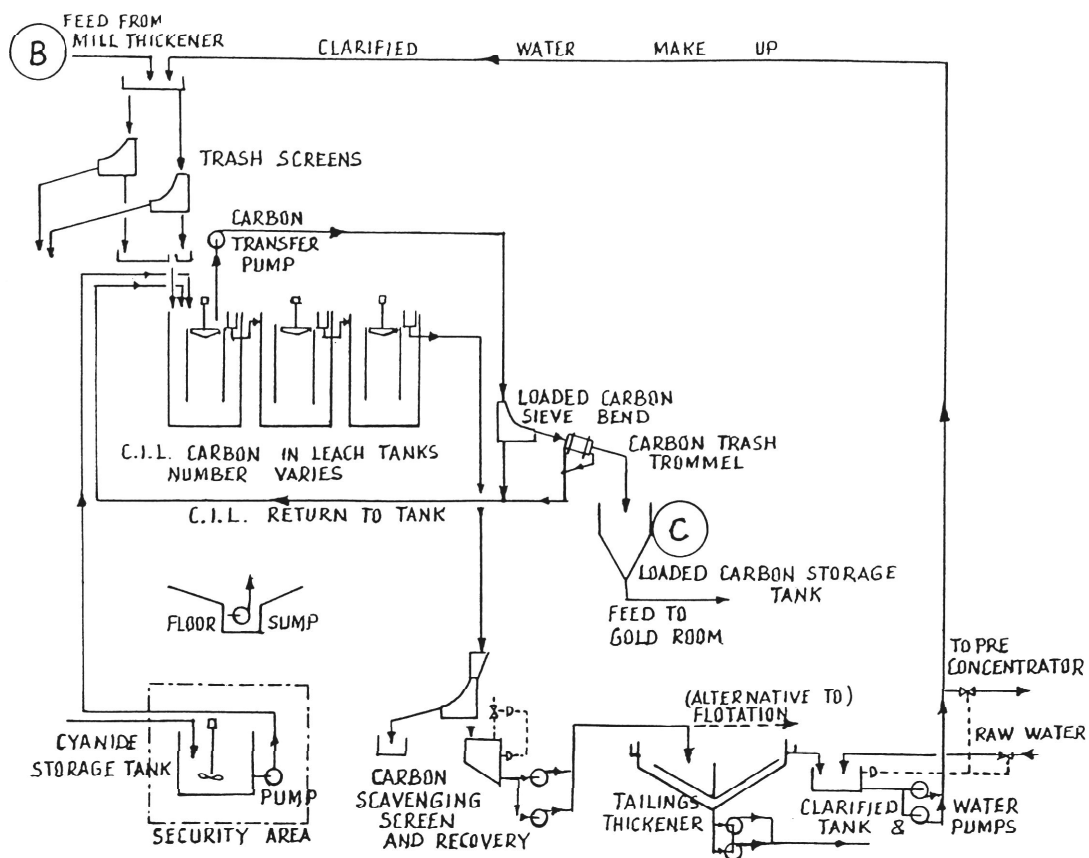
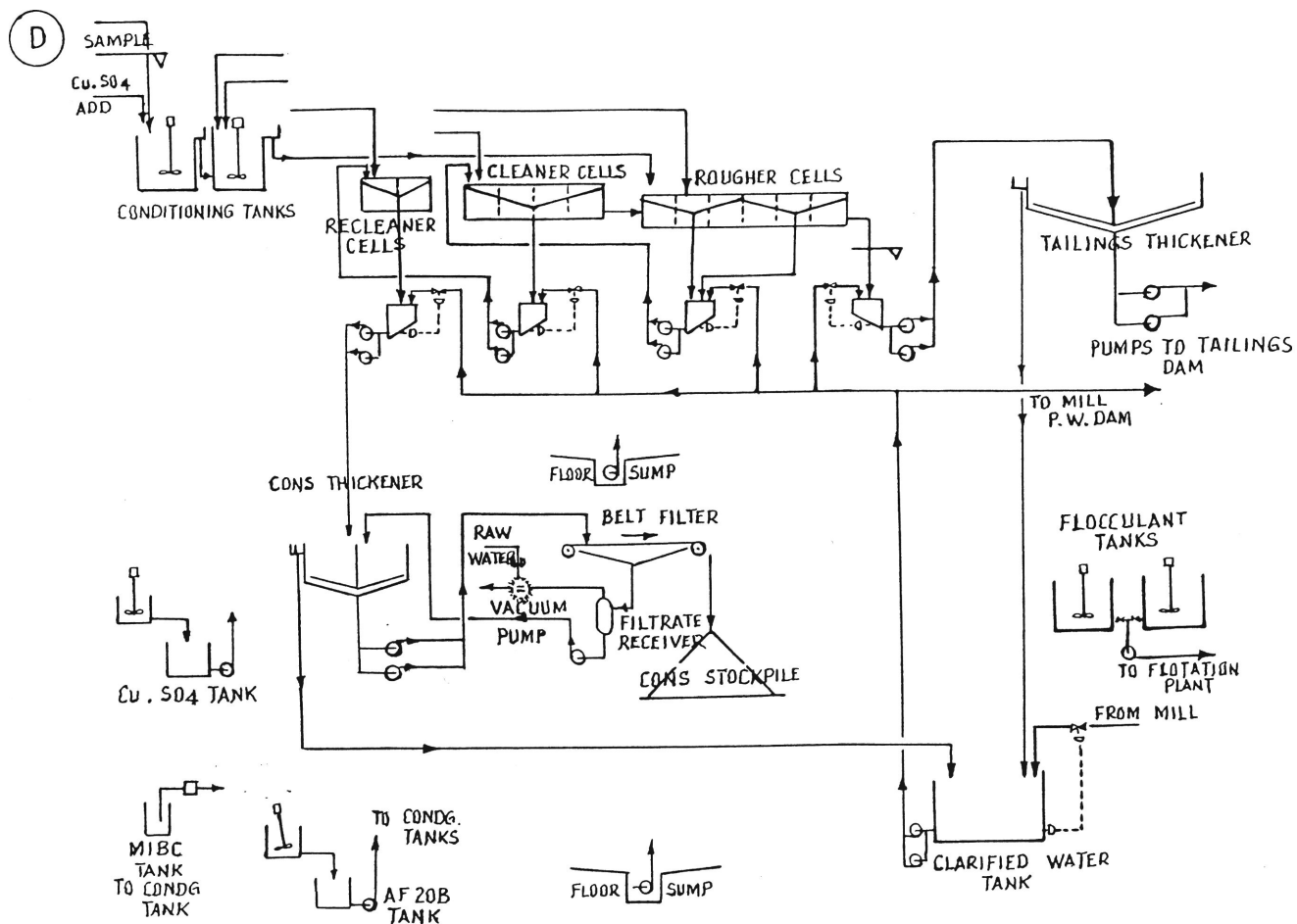


FIGURE 4.5

Continue...



End

FIGURE 4.5

The tailings containment area is designed for zero discharge to the environment with the process water being reclaimed and pumped back to the plant for re-use.

Loaded carbon is ducted from the carbon columns and pumped from the carbon-in-pulp tanks to the desorption circuit for the recovery of gold and silver. Desorption is carried out using hot caustic soda solution under pressure through one of three available vessels. The precious metal-bearing solution is passed through a heat exchanger where it is cooled by the incoming solution and flows to electro winning cells where the gold and silver are deposited on steel wool cathodes. When fully loaded, the cathodes are processed by smelting to produce ore bullion. Barren solution is re-circulated through the heat exchanger and then via a heater to the desorption column.

The desorbed carbon is transferred to a vessel for acid washing and is then processed through a reactivation kiln. The reactivated carbon is screened to remove fines, and is stored for re-use. Make-up carbon is attritioned and screened to remove fine lines before being added to the carbon circuit.

The dore bullion contains approximately 58% gold and 37% silver and is shipped for custom refining elsewhere into "good delivery" bars of 400 oz. (12.44 kg), the gold bars being of not less than 99.5% purity and the silver of not less than 99.9% purity.

The first dore bullion was produced on February 6, 1985. Projected production for the first twelve months of full operation is 281,000 oz. (8,740 kg.) of gold and 164,000 oz. (5,100 kg.) of silver. This output will make Kidston Australia's largest producing gold mine.

4.7 Financing the Project & the Foreign Investment Review Board

The Foreign Investment Review Board's requirements for foreign-owned companies was yet another factor that reduced the attractiveness of the Kidston Gold Mines package. It affected how Company P was to go about getting equity and when to share float.

The Foreign Investment Review Board required a 50% Australian participation in Kidston Gold Mines prior to a full scale development of the mine. Additional problems arose for the project at this point in time as a result of:

- . A substantial fall in the price of gold.
- . General decline in stock market confidence.
- . Possible introduction of a tax on gold.

These market conditions made it difficult to obtain a partner or to gain Australian equity by way of a public float. Negotiations resulted in the Federal Treasurer giving Company P credit for its 10% level of Australian ownership in Company P Development. As a result, the Treasury required that only 45% of Kidston Gold Mines be sold to Australian interests in order that it complied with the Federal Government's foreign investment guidelines for new resource projects.

Over the two to three years from 1980, determined efforts were made with little success to sell 45% of the property to Australian financial institutions and public companies. Potential partners were asked to contribute approximately \$50 million up-front and then support 45% of the remaining project costs. In return for a 63% investment in project cost, they were to receive 45% of the profit.

According to this arrangement, their return on investment would be approximately 8% on what they considered to be a high-risk venture. Naturally, Australian financial institutions found the proposition unattractive.

A different approach to the problem was therefore required. There was a need to selectively look for a company that would gain advantages from such a project other than by being a straight partner. Company P developed a position statement that defined the criteria that the potential partner was required to possess. It was necessary for the company to:

- . Be progressive and venturesome.
- . Understand gold in order to assist in the marketing of gold - perhaps through a Gold Futures Trading Division.
- . Be a financier so as to provide low interest rates - perhaps through a Finance Division.
- . Possess a Construction Division with mine construction experience - preferably in Queensland in order to take advantage of the mine construction project.
- . Gain substantial tax advantages by operating the mine, recognising of course that this would divide the organisation and therefore add to the managerial complexity of the operation.

The one company that fulfilled the above criteria was Company X. As a result, Company X was approached and a lengthy negotiation process commenced. In the final arrangement, Company X purchased a 20% equity in Kidston Gold Mines for \$25 million.

This allowed Company P to obtain approval from the Foreign Investment Review Board to commence construction of the mine on the understanding that the remaining 25% was to be floated to the public prior to production commencing. With the subsequent dramatic drop in the price of gold, the Federal Treasurer's approval was sought to partly fulfill the commitment to float in 1984 and to defer the remainder of the float to when it was hoped market circumstances would improve. Attention was drawn to the number of floats being shelved and others that had proceeded but were proving to be less than successful.

The negotiations proved successful and the Government permitted Company P to float 10% in 1984 and the remaining 15% within 6 months of the earliest date allowable under Stock Exchange regulations. Company X opted to float 5% of their 20% equity and the structure at the 1984 offering was as shown in Figure 4.6.

The next problem to contend with was whether the float would be a success. Experience, history and the signs of the times were proving that leaving the float in the expert hands of the underwriters was no guarantee of success. In order to maximise the opportunity for success, Company P soon recognised the critical need to "sell" the float to the Australian public over and above the "order taking" approach generally adopted by underwriters in this country. Operation "sell" K.G.M. began. Every colleague, business associate, business acquaintance, personal acquaintance, friend, friend of friends, enemies and friends of enemies were phoned and were either persuaded, coerced or directed to buy K.G.M. shares that were about to be offered. The result was an overwhelming success. The float was 40% oversubscribed at a time of difficult market circumstances.

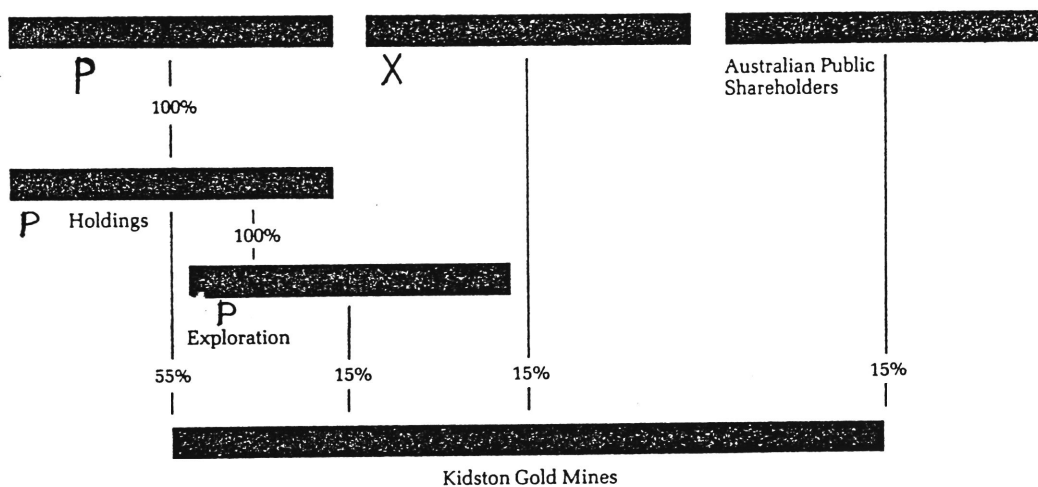


FIGURE 4.6 COMPANY STRUCTURE OF KIDSTON GOLD MINES LIMITED

4.8 Results and Conclusions

The construction of the Kidston gold mine was completed 3 months ahead of schedule at a cost reduced by some \$50 million from the original budget. The 12 month construction programme also included:

- . Upgrading of 80 km. of unsurfaced roadway including bridges and concrete causeways to deal with the flood prone nature of the area and make it an all-season road.
- . Building of a 21,000 megalitre dam across the Copperfield River and the laying of 22 km. of pipes and construction of booster stations.
- . Construction of 292 km. of 132 kV transmission line from Townsville.
- . Construction of motel-type accommodation and recreational facilities 5 km. north of the minesite.
- . Upgrading of an airstrip to accommodate 24-hour per day all-season flight facilities.

In its initial 12 months of operation the mine is projected to produce 9034.15 Kg. (281,000 ounces) of gold making it Australia's largest gold producing mine. During the first five years of operation, the projected annual average is 6301.40 Kg. (196,000 ounces) of gold and 5015.40 Kg. (156,000 ounces) of silver. This is already being reviewed with a view to upgrading. The present market value of Kidston is estimated to be in excess of \$500 million.

The payback period has been effectively reduced from 5 years to 1.5 years. The life span of the mine is to increase from the estimated 15 years to more than 20 years. Tables 4.3 and 4.4 list the statement of changes in financial position and balance sheet at 31 December 1985 respectively.

**TABLE 4.3 STATEMENT OF CHANGES IN FINANCIAL POSITION,
KIDSTON GOLD MINES LIMITED, FOR THE YEAR
ENDING 31ST DECEMBER, 1985**

	1985 \$	1984 \$
SOURCE OF FUNDS		
Net Profit/(Loss) for the year	50,759,003	
Add: Depreciation	9,590,330	
Income tax	285,000	
Amortisation of exchange losses	2,464,606	
Funds from operations	63,098,939	Nil
Add: Proceeds from borrowings		
— Bank loans	859,636	42,264,553
— Other borrowings	16,199,038	37,547,121
Proceeds from share issues		25,000,000
	<u>80,157,613</u>	<u>104,811,674</u>
APPLICATION OF FUNDS		
Fixed assets (net of exchange losses)	12,399,655	121,753,547
Refundable deposit	(4,111,560)	4,111,560
Deferred foreign exchange losses	13,966,961	
Payment of dividends — common	6,250,000	
— preferred	3,904,935	
Repayment of loans	44,241,636	
Net effect of debt allocation between short and long term	2,018,256	
	<u>78,669,883</u>	<u>125,865,107</u>
Increase/(Decrease) in working capital	1,487,730	(21,053,433)
Working capital at beginning of year	(23,414,316)	(2,360,883)
Working Capital at End of Year	<u>(21,926,586)</u>	<u>(23,414,316)</u>
ANALYSIS OF CHANGES IN WORKING CAPITAL		
Increase/(Decrease) in current assets		
Cash and short term deposits	4,096,686	96,671
Trade receivables	3,577,791	
Other debtors and prepayments	12,657	105,922
Inventories	5,301,246	2,624,089
	<u>12,988,380</u>	<u>2,826,682</u>
Increase/(Decrease) in current liabilities		
Bank loans and overdrafts	22,077,302	6,835,650
Other borrowings	(6,694,879)	6,694,879
Trade creditors	1,923,180	
Other creditors and accrued expenses	(2,503,914)	6,607,630
Amounts payable to related companies	(3,301,039)	3,741,956
	<u>11,500,650</u>	<u>23,880,115</u>
Increase/(Decrease) in Working Capital	<u>1,487,730</u>	<u>(21,053,433)</u>

TABLE 4.4 BALANCE SHEET, KIDSTON GOLD MINES LIMITED,
AT 31ST DECEMBER, 1985

1984 \$		Notes	1985 \$
	Share Capital and Reserves		
25,000,000	Issued and fully paid		
	125,000,000 Ordinary shares	3	25,000,000
	1 Redeemable preference share (par value 20 cents)		
10	Asset revaluation reserve		10
25,000,010			25,000,010
	Accumulated Profit	12	40,604,068
25,000,010			65,604,078
	Current Liabilities		
6,912,944	Bank loans and overdrafts	4	28,990,246
6,694,879	Other borrowings	5	
369,921	Provision for income tax		654,921
	Trade creditors		1,923,180
6,976,069	Other creditors and accrued expenses		4,472,155
5,684,335	Owing to related companies		2,383,296
26,638,148			38,423,798
	Non Current Liabilities		
42,264,553	Bank loans	4	50,610,456
37,547,121	Other borrowings	5	
79,811,674			50,610,456
131,449,832			154,638,332
	Fixed Assets	6	127,762,241
	Other Non Current Assets		
	Investments	8	
	Deferred foreign exchange losses	9	11,033,800
4,111,560	Refundable deposit		
4,111,560			11,033,800
	Current Assets		
20,900	Cash at bank		10,586
103,000	Short term deposits		4,210,000
	Trade receivables		3,577,791
2,624,089	Inventories	7	7,925,335
105,922	Other debtors and prepayments		118,579
2,853,911			15,842,291
131,449,832			154,638,332

The accompanying notes form an integral part of these accounts.

TABLE 44 Statement of Profit & Loss

FOR THE YEAR ENDED 31 DECEMBER, 1985

Kidston Gold Mines Limited

1984 \$		Notes	1985 \$
Nil	Sales revenue		100,635,454
Nil	Other revenue		920,497
<u>\$Nil</u>			<u>\$101,555,951</u>
Nil	Operating profit for the year	10	51,044,003
Nil	Income tax expense	11	285,000
Nil	Net profit for the year		50,759,003
Nil	Accumulated Profit at 31 December, 1984		Nil
Nil			50,759,003
	Deduct:		
Nil	Dividends	12	10,154,935
<u>\$Nil</u>	Accumulated Profit at 31 December, 1985		<u>\$40,604,068</u>

The accompanying notes form an integral part of these accounts.

GENERAL CONCLUSIONS & RECOMMENDATIONS

In the Australian political climate the demand for a coal plan to market the product to retain price values is unlikely to succeed since the product must be consumed if produced. The goal must be to produce a review of reserves and a concrete development programme geared to exploitation of readily accessible reserves with a balanced research and development programme for deep mining geared to the 21st century.

Gold production should be an integral part of the economic plan scheme for Australia. Since deep gold mining will not be highly productive unless new mechanisation methods are introduced in the next two decades, financiers must be encouraged to examine the relationship between two valuable assets where one can be recovered and stored in a vault and the other in situ. The slide of the Australian Dollar in 1986 produced an inflationary effect which prompted government intervention to prevent heavy selling of the Australian Dollar. This slowed the spiral but high interest rates coupled to a buoyant share market have again pushed the Australian Dollar upwards to remove the competitive boost which should have helped the mineral export industry.

A formula for the mining industry marketing strategy must therefore be geared to the exchange rate i.e. "the price" and the sale of gold should be reflected in a corresponding rise in the sale of coal at a competitive price.

The only solution to the problem is a major reduction in costs both at the mine and in government charges. The weaker coal mining operations in N.S.W. will falter with consequent reduction in state revenue, to the state railways, port handling authorities and ancillary supporting industries. Unemployment in the coal mining industry will occur and is occurring and massive capital injection cannot be justified nor solve the problem of over supply of coal in the world market.

The scenario for marketing of gold and coal is on the one hand to produce more gold at a cheaper production cost and sell a product which carries no impediments in the form of specification, is easily transportable and can be stored indefinitely.

On the other hand coal must be produced at a cost which is competitive with Chinese, Columbian and South African prices where labour charges are only 38% of cost against 60% in Australia. The coal must be either sold on a strict specification for export or simply marketed as a product with a wide application. For both cases the producers cannot continue to produce as loss will be inevitable.

The 35 Hour/Week campaign and its consequences have resulted in the demise of the mining manufacturing industry. Skills are being lost and the consequent training of new apprentices is affected, contributing to the low skilled manpower source which is undesirable.

The Arbitration system has not succeeded in solving industrial problems.

The Kidston Gold Mine project is an outstanding example of management and unions working together, not being put off by past practices and recommendations.

It is therefore recommended that:

- . There should be a major reduction in cost both in the mine and government charges to permit a healthy exploitation of the resources;
- . Increased emphasis on gold production as it is a product which carries no impediments in the form of specification.
- . There should be a coal plan to achieve the conservation of coal to await future technology which will make the most efficient and environmentally acceptable use of coal.

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A P P E N D I C E SAppendix

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APPENDIX A 1 (a)

Records of the Events Leading
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F Manufacturing Company.

Appendix A 1 (a)

TO: Directors.

FROM:- Executive Director, Company 'F'.

SUBJECT:- 35 Hour Week Campaign - Proposed Response by Company.

DATE:- 4th September, 1980.

1.0 Background

To ensure that the matter of the current situation with respect to the A.M.W.S.U.'s campaign for a 35 hour working week is put into proper perspective, it is essential that there be a full comprehension of the events that have shaped the industrial relations environment in which the Company is now in.

Set down below in chronological order is a record of the events as mentioned.

1.1 The first tangible indication that the 35 hour week would be the emerging industrial issue of the 1980's occurred in February of this year with the notification of a dispute at Union Carbide's Altona (Victoria) plant where members of the A.M.W.S.U. employed by Union Carbide demanded the company grant to them a 35 hour week.

In addition, in the February issue of the A.M.W.S.U. journal, Federal Secretary Carmichael advised that certain amendments to A.C.T.U. policy by Congress had cleared the way for a shorter working week to become an industrial issue. He also advised that such a campaign in Australia would complement the International Metalworkers Federation's recent decision for a campaign for a shorter working week.

It was also apparent that the electricity supply authorities in all States other than New South Wales and South Australia would be seeking a 35 hour week at the earliest possible time.

- 1.2 By April, the M.T.I.A. had determined to commence a pamphlet/leaflet type education programme aimed at warning employees of the economic employment consequences of support for the action proposed by their respective union executives.

As well, the first rumblings from the Queensland power workers seeking a 35 hour week were heard and the matter of the 35 hour week at Altona had been listed for further hearing in May before a Full Bench following a lengthy sit-in strike by A.M.W.S.W. workers. However it would appear that one of the reasons for the Altona Hearing having been deferred until May was that the A.M.W.S.U. was not ready to proceed.

In addition, toward the end of April the A.M.W.S.U., A.S.E., F.I.A., F.E.D.F.A. commenced their campaign for a 37 1/2 hour week at Pilkington-A.C.I.

On the 30th April the A.M.W.S.U.'s campaign for a 35 hour week commenced.

- 1.3 Throughout May an attempt was made by the M.T.I.A. to either bring the 35 hour week matter before the Full Bench of the Arbitration Commission and/or to use the national wage hearing as a forum for discrediting the campaign of the A.M.W.S.U.

In spite of such efforts however, the A.M.W.S.U. campaign had taken hold to the extent that the majority of organisations, where members of the A.M.W.S.U. formed the dominant portion of the work group, were working 35 hours on each fourth week of the month with overtime restricted to a maximum of eight hours on the other three weeks (and of course nil overtime in the short week).

In the Pilkington-A.C.I. dispute the employers had told the Arbitration Commission that if the campaign was to continue they would not be able to compete with foreign companies. In response the union claimed that Australia already produced the cheapest glass in the world and could well afford a shorter week.

- 1.4 In June and July the Arbitration Commission threatened to defer the National Wage Case unless the A.C.T.U. pulled back the metal unions' campaign for a 35 hour week. An attempt by the A.C.T.U. and the Executive of the metal unions to so pull back was framed in resolution form but when put to a mass meeting of metal union shop stewards, the combined A.C.T.U./Union Executives' resolution was defeated by a vote of 8 to 1 against.

The New South Wales Railways Unions represented by the New South Wales Trades and Labour Council arranged to see Premier Wran re a 35 hour week claim.

Differences between the A.M.W.S.U., other metal unions and the A.C.T.U. saw S.E.C. Victoria workers going it alone on a 35 hour week campaign.

In Western Australia, the Alcoa, Pinjarra dispute over the 35 hour week appeared likely to spread nationally within Alcoa and possibly to the extent that the entire aluminium refining industry could be threatened/become involved.

The Federal Government involved itself in the campaign when it announced it would take positive action per medium of the P.J.T. against companies who looked like conceding to union demands. However Government threats of retaliatory action were seen generally as hollow in view of the wound down condition of the P.J.T. and the known length of time it would take for the conducting of an enquiry into the effect of shorter hours on prices. In addition two of the tobacco/food companies who had been about to make agreements for a shorter working week were able to negotiate with the Government for no action to be taken on the basis that their arrangements had been made prior to the issue of the edict. In spite of the above, however, any organisation hoping for favourable consideration by the Federal Government on any matter would be best advised to be sensitive to the Government's stated attitude to the shorter working week.

By the end of July, power workers in Western Australia had been granted a 37 1/2 hour week and power workers in Tasmania had commenced negotiations for the same.

The M.T.I.A. claimed success in its campaign against the 35 hour week.

The A.C.T.U., metal unions and the A.M.W.S.U. appeared to have split on the method of handling the 35 hour week campaign with the A.M.W.S.U. still prepared to go it alone.

On the 30th July, 1980 T.A. Field Pty. Ltd. announced its intention of introducing a 37 1/2 hour week to its 1,000 employees at Orange, Rockhampton and Brisbane respectively and Alcoa announced its intention to stand down 1,300 of its employees in Western Australia over the 35 hour week dispute.

- 1.5 By August the dispute in the glass industry had developed to the extent that Ford and G.M.H. were forced to stand down 3,000 employees. The A.M.W.S.U. refused to allow arbitration of the 35 hour working week issue and had turned the Pilkington-A.C.I. dispute into an issue over redundancy pay. (Pilkington was eventually settled with an increased redundancy pay offer).

The Alcoa, Pinjarra 35 hour claim had also turned into a wage claim which was settled by Arbitration with increases of \$18.00 - \$23.40 per week, plus back pay, and increased long service leave payments being granted.

In both the Pilkington and Aloca disputes, the 35 hour week campaign continued unabated in spite of the concessions granted.

Towards the end of August, the A.C.T.U. resolved as follows:

- Quote -

- (1) That at this point of time "an across the board" approach to reduced working time involving industrial action is inappropriate.
- (2) Unions in appropriate areas should seek in consultation with the A.C.T.U., to establish reduced working time by direct negotiation.

- (3) Priority areas should be determined and the maximum effort allocated to the development of campaigns in these areas.
- (4) That the plan of action for a shorter working week, involving concentrated involvement in the power, aluminium and other sectors as outlined be endorsed.
- (5) In accordance with this plan the A.C.T.U. will initiate a campaign of publicity and education commensurate with the magnitude and priority of the issue.

- Unquote -

In addition Sir John Moore commenced the hearing of a claim for 35 hour working week for drivers employed by oil agents in the Northern Territory (similar to the 35 hour working week granted to oil industry agents' drivers in New South Wales following the Leon Laidley dispute).

Towards the end of August the F.I.A. announced its support for the A.C.T.U.'s push for a shorter working week in the aluminium industry.

2.0 M.T.I.A. Advice

On Tuesday 2nd September the M.T.I.A. was contacted to enquire as to their view of the situation in respect to the 35 hour week campaign and was advised as follows:

- 2.1 The A.M.W.S.U. campaign had settled down to 35 hours per week being worked in one week each month with no overtime in that week and a restriction of eight hours overtime per week in the other weeks of the month.

- 2.2 On a national level the A.M.W.S.U. only was pushing the 35 hour campaign with the F.I.A. and other metal unions having joined with the A.C.T.U. in its campaign (see above).
- 2.3 The A.M.W.S.U. is to meet next Tuesday the 9th September to consider its position and the M.T.I.A. will be holding meetings on Monday and Tuesday the 8th and 9th respectively to do likewise.
- 2.4 The M.T.I.A. had conducted surveys recently and had established that in a number of companies, employees were not engaging in the short week campaign. Unfortunately the association could not advise which of those companies had A.M.W.S.U. members as the dominant portion of the workforce.

3.0 Company Survey

From the 2nd to 4th September the company conducted its own survey contacting a number of local companies or organisations engaged in similar work and as a result gained the following impressions:

- 3.1 One company only was in the situation of having some of its employees not following the campaign on the short week. This company was International Combustion. It did appear that at International Combustion the F.I.A. have split with the A.M.W.S.U. The company has had some difficulties with respect to overtime and in addition the A.M.W.S.U. has claimed a 2 1/2% wage increase.

- 3.2 The majority of organisations that the company management contacted were found to be subjected to the standard campaign. Indeed even those companies which suggested that their employees were committed to the campaign with reluctance, were not prepared to forecast the emergence of an International Combustion situation as outlined in 3.1 above.
- 3.3 In one circumstance only, that being (J) Manufacturing, did the company management establish that the A.M.W.S.U. had stepped up its campaign to the extent that the employees of (J) Manufacturing are absenting themselves one in every ten working days with overtime being restricted to 24 hours in every month.

4.0 Implications - Prospects for the Future

Following upon the above research and review it would appear that a reasonable interpretation of the information as outlined would be as follows:

- 4.1 National events have limited effects on what may or may not occur in the various workshops/plants around the nation. Hence claims of success/failure by the A.C.T.U., A.M.W.S.U., M.T.I.A. etc., and the outcome of ideological differences between various unions etc. are of academic interest only to an organisation that finds itself in the unfortunate situation of being under siege.
- 4.2 From the history of the disputes at Alcoa, Pilkington-ACI and Union Carbide, it would appear that the 35 hour campaign in each of those places created an appropriate environment for success by the unions with alternate claims.

However the expensive concessions granted by the companies did not resolve the 35 hour working week issue. Indeed the A.M.W.S.U. has resisted all demands to have the 35 hour claim itself arbitrated.

- 4.3 Shop stewards have had to work so hard to gain support for this campaign that their potential loss of face should they be unable to gain some success (even if minor) is considerable. Hence the campaign has resulted in:

4.3.1 Reduced hours at T.A. Field Pty. Ltd.

4.3.2 Increased wages at Alcoa.

4.3.3 Redundancy payments at Pilkington - A.C.I.

4.3.4 Wage increase claims at International Combustion.
Etc.

- 4.4 It would appear that organisations that have been selected to be the subject of a stepped up campaign are being chosen on something of an association basis. Examples of the above are:

4.4.1 The electricity industries in States other than New South Wales and South Australia on the basis of what has happened in New South Wales etc.

4.4.2 The oil agents' drivers in the Northern Territory on what has happened in New South Wales.

4.4.3 The aluminium refining industry on what has happened with respect to the hours worked by those actually mining for aluminium.

4.4.4 The claim against Union Carbide (as Altona is a petrochemical plant) on the basis of the oil industry.

4.4.5 Possibly J Manufacturing on its association with mining industry.

If this is the case the prospects for F Manufacturing of course do not look good.

4.5 Other variables to be taken into account in attempting to predict what may or may not happen in the future - in priority order - are:

4.5.1 The dominance of the A.M.W.S.U. in the workplace.

4.5.2 The degree of militancy of the A.M.W.S.U.

4.5.3 The past industrial history of a particular shop.

4.5.4 The reaction of a particular organisation to the campaign.

4.5.5 The level of overtime previously worked/available and/or about which there is an exception.

4.5.6 The nature of the market in which an organisation is a competitor.

4.6 It would appear that:

4.6.1 The eventuality of a 35 hour working week in the metal industry is as inevitable as the fact that the sun comes up in the morning.

4.6.2 When the 35 hour week is introduced there will be a real increase in costs of approximately 12 1/2% and a corresponding drop in productivity which will have a marked and dramatic effect on the viability of the metal industry.

4.6.3 The campaign for the 35 hour week will continue for a considerable period of time with the possibility that in certain areas the current campaign will be stepped up.

4.7 With the matters as raised in 4.6 above in mind, it would appear that from the week ending 5th September, 1980 and thereafter, it behoves the management of F Manufacturing to take maximum advantage of the hours now available to us with the hope of maximising productivity relative to what may occur in the near/intermediate future.

5.0 Management Approach

If the Manufacturing organisation is to succeed in holding the line at the present situation it is important that the following be appreciated:

5.1 In all disputes the specific if not selfish interests of the disputants are all important and all pervading, and

5.2 There are those whose lot in any dispute is that they have to suffer. In the instance of this dispute as it affects F Manufacturing, such persons happen to be supervisory and other associated staff.

And with such an appreciation the action to be taken is as follows:

Recommendations

1. Management will, with sympathy, understand and appreciate the suffering and hurts of the supervisory and associated staff, but will insist that supervisors be forbidden from using the 35 hour working week campaign with its problems as an excuse for failure to meet our pre-determined deadlines.
2. Management to insist that supervisors are to increase their efforts and usual motivational activities in order to overcome the obstacles and drop in morale generated by this campaign.
3. There be a rigid adherence to procedures, controls and policies.
4. No overt action be taken or statements made that might assist shop stewards to further arouse the workforce.
5. Matters of staff discipline, labour problems etc. to be discussed in the first instance with the Manager Personnel and Industrial Relations.
6. Work commence immediately on both short and long term plans aimed at reducing the ultimate effect of the shorter working week.
7. Otherwise the 35 hour working week campaign to be treated as a non-event.

APPENDIX A 1 (b)

A Report to the Directors of
Company F, dealing with the
Issue of 35 Hour Week Campaign
at F Manufacturing Company.

Appendix A 1 (b)

COMPANY F INTER-OFFICE MEMORANDUM

TO:- Directors.

FROM:- Executive Director.

SUBJECT:- 35 Hour Week Campaign at F Manufacturing Company.

DATE:- 10th November, 1980.

Background

The Manufacturing Company has been subjected to the metal unions 35 hour campaign since June, 1980. In fact the campaign has been applied in two phases: the first being from June to 26th September in which members of both the metal unions and the Storemen and Packers absented themselves on strike for 5 hours one week in every four with an overtime limitation of 8 hours on the first, second and third week and with a complete ban on overtime on the strike week. The second phase has been applied since the 29th September when the 35 hour campaign was escalated to an 8 hour strike every second Monday. Consequently all factory employees were absent from work, on strike, on the 29th September, 13th and 29th October.

You will recall that I advised in a report dated 4th September of the national situation with respect to the 35 hour campaign, of circumstances with respect to the Company, and of the consequent effect upon Company P. The action I recommended should be taken was:

1. Management will, with sympathy, understand and appreciate the suffering and hurts of the supervisory and associated staff, but will insist that supervisors be forbidden from using the 35 hour working week campaign with its problems as an excuse for failure to meet our pre-determined deadlines.
2. Management to insist that supervisors are to increase their efforts and usual motivational activities in order to overcome the obstacles and drop in morale generated by this campaign.
3. There be a rigid adherence to procedures, controls and policies.
4. No overt action be taken or statements made that might assist shop stewards to further arouse the workforce.
5. Matters of staff discipline, labour problems etc. to be discussed in the first instance with the Manager Personnel and Industrial Relations.
6. Work commence immediately on both short and long term plans aimed at reducing the ultimate effect of the shorter working week.
7. Otherwise the 35 hour working week campaign to be treated as a non-event.

In the following week at a meeting you convened at Smithfield, also attended by the General Manager, Marketing Manager, Assistant Marketing Manager and myself, it was determined that:

- (a) We should establish the circumstances of our competitors.

- (b) Attempt to organise the M.T.I.A. into taking specific action on behalf of mining equipment manufacturers and/or other employers who appeared to be bearing the brunt of the metal unions campaign.
- (c) Seek to extend the time on any outstanding contracts or where possible consider increasing our prices.

Action Taken Since September, 1980.

1. Meetings of Foremen were convened at which they were advised to embark on a general tightening up campaign. To assist them in this exercise the instruction to all staff (Appendix I attached) was placed on all notice boards. ??????
2. Following complaints from Foremen as to specific problems with some shop stewards the instruction dated 16th October, (Appendix II attached) was issued. ?????

(The above being in accordance with my recommendations of 4th September, 1980)

3. Since the 26th September there has been liaison with our major competitors as to their industrial situation. In addition the assistance of the M.T.I.A. has been sought and on the 10th October we provided them with a list of mining equipment manufacturers. Subsequently on the 24th October and 4th November meetings of what has now become known as "Schedule 1 Employers" were held at the M.T.I.A.

Over the two meetings it was established that J Manufacturing, V Engineering, N. Coy, M. Coy, T Manufacturing in Newcastle (up to the 31st October, 1980, and in Wollongong since 31st October 1980) and as well as this Company were being subjected to the 9 day, 72 hour fortnight campaign. 5 major companies, whilst still being subjected to the standard 35 hour campaign indicated at the meeting of 4th November that they anticipated the worst.

4. The M.T.I.A. further advised at the meetings as mentioned above:
 - (a) That efforts were being made by the national employers to stop the national wage case, set down for hearing on 11th November, 1980 from going ahead (with limited prospect of success).
 - (b) That at meetings of metal trades union members held on the 31st October the standard 35 hour campaign was called off (but not the 9 day fortnight campaign).
 - (c) That in spite of (b) above those employers still being affected by the campaign were industries in Altona, Victoria, the Victorian ship building industry, A.C.I. Glass, mining equipment and agricultural implement manufacturers, industries in Wollongong and some industries in Newcastle.
5. At the M.T.I.A. meeting of 24th October, 1980 the action companies affected by the continuing campaign were asked to consider taking collectively was:
 - (a) To treat a strike day as severing continuity of service so that accrued annual leave of employees would be forfeited.
 - (b) Returning employees to award payments only.
 - (c) Standing down employees who are not able to be gainfully employed.
 - (d) Banning overtime.
 - (e) Commencing a publicity campaign directed specifically at or on behalf of those industries still affected.

(f) Notifying the Commission.

The M.T.I.A. meeting of 4th November, 1980 resolved to notify the Commission of a dispute and embark at the same time on an extensive publicity campaign aimed at the effects of this campaign upon our specific industry. The publicity campaign will be pitched to gain national coverage.

Appendix A.2

THE AUSTRALIAN CONCILIATION
AND ARBITRATION COMMISSION

C No 4245 of 1980

F MANUFACTURING LIMITED and
OTHERS

and

THE AMALGAMATED METAL WORKERS
AND SHIPWRIGHTS UNION and
OTHERS

Notification pursuant to
section 25 of the act of a
dispute re 35-hour week.

MR. COMMISSIONER BENNETT

TRANSCRIPT OF PROCEEDINGS

AT SYDNEY ON MONDAY, 10 NOVEMBER 1980, at 2.20 p.m.

Copyright in the Commonwealth Government.

THE COMMISSIONER: Could I have the appearances please?

MR. A.C. EVANS: If it please, Mr. Commissioner, I appear with my colleague MR. E.P. HENNESSY for the Metal Trades Industry Association.

MR. S. MAURICE: I appear for the Amalgamated Metal Workers and Shipwrights Union.

MR. D. MURADA: I appear for the Electrical Trades Union.

MR. B. COCHRAN: If the commission pleases, for the Australasian Society of Engineers.

MR. W. GRANTHAM: If the commission pleases, I represent the Federated Ironworkers Association.

THE COMMISSIONER: This is a notification by the metal Trades Industry Association. Mr. Evans?

MR. EVANS: Mr. Commissioner, this is a serious dispute, and equally it is an unfortunate dispute as I will outline to you in a moment. Of course you will be aware from the notification that it concerns the claim by the metal trades unions for a 35-hour week; that is a general claim, and this has up till now been part of our claim. It is a serious dispute because these companies - or at least some of them - and equally the employees in these particular companies are amongst the hardest hit in this very long campaign.

This dispute is centred only in New South Wales, this particular dispute. I suppose in the metal trades industry itself there has been more bloodshed in this particular sector by the employees and by the companies than in any other sector. It is true we have fairly significant disputes at Altona - that is in Victoria; we have a dispute by metal workers in the glass industry, which is significant and has been before this commission, but that is Australia wide.

In relation to the general run of the metal trades factories, except perhaps with one possible exception, as I say both sides here have taken a real battering, and we are hopeful that as a result of these proceedings today that some common sense will prevail and we can get back to an even keel, because both the companies and the employees have suffered significant financial loss.

It is unfortunate, Mr. Commissioner, I put to you and my colleagues from the unions that these companies are involved in such a serious dispute, because this is one of the sectors of the metal trades industry which can be a growth sector; it does have the capacity to employ additional people into the future, because as you know they are involved in the resource development area, particularly in relation to coal. What has to be realised by the unions and by the men on the job more particularly I suggest, is that this will not occur, this will not become a growth sector for additional employment if, as a result of direct action, or if we are forced as a result of direct action, to shorter hours; it will increase our costs to such an extent that equipment that these companies manufacture can be purchased more cheaply overseas. All of us in the metal trades industry, Mr. Commissioner - my colleagues from the unions and ourselves - have seen, since the mid-70's or earlier, what has happened to employment in this industry when goods can be purchased on the world market more cheaply than they can be made in Australia, people buy them, and jobs go, and we are trying to avoid that.

The point I want to make for everybody to consider today is that the equipment these companies make, that these men help make, is all available on the world market and can be - and most likely will be - purchased on the world market at world prices if this dispute continues. All we have seen happen since 1973-74 onwards is that jobs that were formerly performed by Australian metal workers are now being performed by metal workers overseas; we are not interested in seeing that happen, we want to see the metal trades industry grow and prosper and provide more jobs.

As you will have seen, Mr. Commissioner, from the notification, this dispute, along with the rest of the dispute in the metal trades industry, has been in existence since May, but generally speaking it was escalated in August - earlier than that in one particular company - to a nine-day fortnight with restrictions on overtime, and particularly numerous bans which are designed to impede the production are being faced in a number of companies, and they are bans which range from the engagement of new labour, bans on the use of sub-contractors, and so on. All of this is making it very difficult to produce properly.

As you would know from your general knowledge mass meetings of metal workers throughout Australia in the last week of October resolved by 6300 votes to 4300 to suspend the general campaign, that is the monthly campaign, so we are left with the situation where the general campaign has been suspended and we are faced, presumably, with what the ACTU metal trades unions determine as their campaign. This had some airing before the commission on Wednesday, 22 October, as a result of a notification by the national employers, of course of which my association was one. I will just hand up to you, Mr. Commissioner, the text of that statement by the full bench; I have some here for my colleagues. This is just a full text of that statement on Thursday, 23. I only wish to refer you to a couple of paragraphs on page 2 and this is what the full bench said:

The ACTU agree that it was
co-ordinating the shorter
.....
as a focal point for the
campaign.

This is important:

The ACTU also emphasize that
in those industries directly
..... was proceeding
without industrial action.

That is the point I want to make:

In respect of the metal industries
 co-ordination of
 the campaign.

As I said, the resolution was carried out and the ACTU is presumably taking over this campaign, and if it is, in the ACTU's own words, and I was there to hear it, that the campaign that the ACTU is waging is going to do so without industrial disputation and the full bench acted on that and declined to act on the national employers notification not to proceed with the national wage case. So what I am putting to you, you and the people in the room, really is, that quite clearly now the great bulk of metal workers throughout Australia will go back to normal work after a year of disruption.

The great bulk of companies will be working normally, the great bulk of employees will be receiving their normal pay and not suffering any financial loss; and what we are trying to achieve as a result of this notification, Mr. Commissioner, is that this same situation, the general situation, apply in this sector. It is not in the interests of this sector, it is not in the interest of the employees in it, as far as we are concerned, for them to be the battering rams, to fight the campaign on behalf of some mysterious body because it is clearly not on behalf of the ACTU.

We are hopeful that common sense will prevail, that the men will go back to normal work, lift all their bans and let the ACTU pursue their claim by the normal orderly methods that they obviously intend to pursue.

THE COMMISSIONER: Thank you, Mr. Evans. Perhaps we could hear the point of view of some of the trade union advocates.

MR. MAURICE: Well, Mr. Commissioner, I would agree with Mr. Evans that it is a serious dispute. It has been as far as J Manufacturing is concerned or the employees at J. Manufacturing are concerned - a most serious dispute.

We have had a long history of disputation with this particular company. It has been their wont from time to time when the employees of the metal trades unions put in a log of claims for that company to say, and finally to agree, that once they have paid the claims it flows on to other people within that particular establishment and I might say, Mr. Commissioner, that it has been a one way street for many years.

What has upset the employees particularly at J Manufacturing is that when they put the reverse claim in indicating that quite a substantial number of people in that establishment are working a 35-hour week and a 37 1/2 hour week, we were told the reverse does not apply, and in fact we can go back over a number of years as to where this has happened and where the claims have gone in and been treated with scorn by the management. So it now heartens me somewhat that the metal trades industries association speaking on their behalf now are concerned about the blood spilt by the employees. That is the first time, I think, that the company have indicated their concern.

We would agree that in fact it is a growth sector. As a matter of fact that is another thing that is burning in the minds of our members in all of the companies as I understand it, not only J but all of the companies that are involved in this particular dispute, because again while there are white collar workers and certain office workers are enjoying a 35-hour and 37 1/2 hour week, and their compatriots that work on the equipment that they make and repair get a 35 hour week, they are expected to keep going on a 40-hour week.

So there is, as I say, a number of reasons why the campaign has been continued in this particular sector. I can assure you that the mysterious body that Mr. Evans refers to is that vast crowd of faceless employees who from day to day, year to year, front up at the gates of the various establishments seeing that other people within that employment sector in fact are, as I say, on less than 40 hours and the people who do most, in our view, to make sure that the employers keep reaping in the profits are the people who get the short end of the stick.

Now as far as the companies now using theat, and I take it as a threat, of purchasing equipment overseas, well I can assure the Metal Trades Industries Association and the employers if that is the case and that threat is implemented, well then there are other methods and means within the trade union movement to make sure that when that equipment is bought and paid for, that it does not get off the ship and we will be using every effort that we can bring forward to make sure that that particular equipment stays there and will finish up like the Flying Dutchman, it will be going round and round the world and will not be able to find a home.

Now as far as the ACTU is concerned, I appreciate the fact that Mr. Evans of course deals fairly extensively with this part of the trade union movement and I appreciate the fact that from time to time when in the job that he is in, he has got to stretch his imagination a little bit to make sure that the people he represents get a better deal and from what I understand the position to be from within the trade union movement that the 35 hour week campaign is not suspended; that in fact the efforts in fact are being redirected and there are quite a number of industry sectors that have been selected by the ACTU and the trade union movement generally to look at this 35-hour campaign and there has been a number of meetings, as I understand it in all the various shops that the employers are represented here today where they have said in line with the sentiments that I have expressed that they are prepared to be involved in this sector campaign that is now being initiated.

So as has already been indicated, the growth industry is there and it is exactly what we were talking about, about the 35-hour week because unless employees receive some benefit of the technology that they are now applying, well then I would suggest that if they stayed on the 40-hour week, well then the jobs that are there now will be quite less than what they would have been had they gone to the 35-hour week because Mr. Evans of course would not tell you, but I think it is pretty plain knowledge that employers have set up a company in the ACT to advise all of the employers about the technology that is available around the world. As far as we are concerned they are not backward in coming forward to avail themselves of all the advice that is there for them to get.

So whether we put on a campaign for a 35-hour week or not, employers, as they have done in the past, have of course availed themselves of the technology that is available elsewhere and they will implement it as soon as is possible to put as much money in their pockets as they possibly can.

It stuns me, as a matter of fact - and I take a bit of stunning - that the employers at J Manufacturing are complaining about some bans that have been put on in respect of the 35-hour week.

I have always suspected that the communication gap at J. Manufacturing has been fairly wide, but I did not know that it was as wide as the Sydney Harbour heads, because I have got a list of half a dozen bans that are allegedly in support of the 35-hour week campaign, and it is not the fact at all. In fact, I cannot understand what on earth we are doing here because part of this notice to the employees says:

We ask in return that all direct issues of the campaign be maintained, for example the 9-day fortnight.

They agree with it.

However, all bans unique to this site are lifted immediately

There were a number of bans there, a half a dozen bans, that have got nothing to do with the 35-hour week at all. There is a problem about car parking, there is a problem about casual labour, there is a problem about obsolete machinery, there is a problem about people using one-ton trucks as expeditors, there is a question of some logos in the inspection department, there is a problem about - whatever this means - normal management/union delegate discussions will be resumed in accordance with a laid down disputes procedure to be issued.

As far as I am aware, while the delegates and the management might not be able to agree, it has been my experience, Mr. Commissioner, that the talks go on at J Manufacturing interminably; in fact, I would suggest they probably have more discussions between themselves, the delegates and the management, than three other places that I could think of put together. As I said, I just cannot understand what all that is about.

In respect of the normal car parking arrangements, from what I can understand the white collar workers are pinching some of the spots that the local blokes, the tradesmen and trades assistants, occupy, and that has been a blue that has been going on for some time, because it is a dispute about availability of parking that has been in existence for some time and in that particular area. As a matter of fact their big brother across the road, Qantas, that is a dispute that is going on there, and has been going on for some time, because of the area that they are involved in, where they have got their establishment.

In respect of their casual labour, there are a number of disputes that have taken place over that in the past, and I think it will continue to be so because of the way the company - the type of people the company want, they want what is normally referred to in the trade as body hire. Of course, we have got objections about that, and that is a separate dispute on its own.

As far as the obsolete machinery to be allowed to be replaced is concerned, that relates to a problem that the company is intending to move their premises. We have been trying to corner the company into a position where they are prepared to discuss the future of the workers at J Manufacturing in Botany. They have told us a number of things from time, to time, that they are looking at sites here, there and everywhere, trying to do deals with Qantas and a couple of other places, and so what the lads are saying on the job - and I believe quite rightly - that from their point of view, you are not going to move any machinery out of this plant until we know what our future is going to be. I think that is a fair enough assessment of the situation.

In respect of the other point that I made about an expediter vehicle, they had a small panel van at one time, these expediters; now they have got a one-ton truck. I do now know what they are supposed to do with a one-ton truck as an expediter; I do not think they would get one of those coal mining machines into the back of it, but apparently they must be going to try to get some parts, and all we are saying in that dispute is that if they are going to start carrying things around in a one-ton truck, well the people that are driving them ought to be members of the union. At this stage I believe they employ a storeman-driver, but we are not arguing who the people belong to, whether it is the storemen or the transport workers union or whatever, as long as they join the union they have not got a dispute.

The question of logos in the inspection department, I understand that is a process whereby using chemicals the company burn in their logo on to parts of machinery. There again that is a safety issue; that has been in question for quite some time and it has been black-banned. As I said I just cannot understand what on earth we are doing here because, as I say, we have got a position whereby, as far as the company is concerned, they say they respect the campaign for a 35-hour week and do not intend to indulge in provocative action. That was issued on 7 November, and here we are on 10 November sitting around the court explaining our actions. If you do not call that provocative, I do not know what was.

As far as we are concerned, we are prepared on a local basis - and always have been - to sit around with the company and talk about the problems on the job, and suggest within reason what can be done to resolve those local problems; but in respect of the 35-hour week campaign, of course, as I say that decision had been made. I do not see it being unmade unless, of course, all of the companies are prepared to sit around and discuss how we are going to implement the 35-hour week for all of the employees in the industry and not just part of them. So that is the position as we see it, Mr. Commissioner.

THE COMMISSIONER: Thank you, Mr. Maurice, you have been most helpful. I think it is common ground both on the side of the employers and on the union side from the points that you have expressed, that there are some types of bans and limitations on at the moment. Would that be true?

MR. MAURICE: Yes, Mr. Commissioner, but it has got nothing to do with the 35-hour week at all.

THE COMMISSIONER: I am glad that you have cleared that up, because in the notification that was received by the registry it states:

The aforementioned employees are engaging in a campaign of direct industrial action against the abovenamed employers in the mining equipment industry sector of the metal trades industry in support of a claim for a 35-hour week. From what you are saying, Mr. Maurice, the bans and limitations are not in regard to a shorter working week, or shorter hours, but to car parking, obsolete equipment or machinery, an expediter vehicle, logos in the inspection department and other issues; is that correct?

MR. MAURICE: That is at J Manufacturing at Moscot; I do not know what bans are on in other areas. There is quite a number of companies which I do not normally visit in any case. As I said, I only found out about this this morning around about 11 o'clock and, as I understood a phone call that I got, it was only going to be in respect of the J Manufacturing Company in any case, and it surprised me to see the rest of the coal industry engineering companies here.

THE COMMISSIONER: As far as your organisation is concerned, Mr. Maurice, in J Manufacturing Company the campaign for shorter hours is not being implemented here but, I think in your own words, is being redirected by the ACTU in other places?

MR. MAURICE: As far as the engineering sector in the coal mining industry is concerned, there has been a meeting in quite a number of companies - I think in all the ones that are mentioned on the notification - and as far as those people are concerned they see themselves as a group of workers directly allied to the coal industry engineering sector and not to the general metal trades. So their campaign in fact has been on the basis of workers involved within that industry and whilst they were originally involved in the metal industry campaign, they are now campaigning on the basis of an industry sector in the coal industry.

THE COMMISSIONER: In other words you are saying that part of the problem then is shorter hours?

MR. MAURICE: That is right.

THE COMMISSIONER: And not only car parking, obsolete machinery.

MR. MAURICE: I agree, as a matter of fact, I point out that the company respects the campaign for the 35-hour week and does not intend to take provocative action. They say also:

We ask in return that all direct issues of the campaign be maintained, for example the 9-day fortnight.

They are saying that it should be kept going; I did not write the letter, the company did - it is signed by Mr. J.W. Burns, Managing Director. As I said, I just cannot understand what the hell we are doing here.

MR. EVANS: Mr. Commissioner, I wanted to remain silent as long as I could. That is one plant of J Manufacturing, there is the other one at Kurri, and then there are all the other companies that my good friend Mr. Maurice is just flossing over. I took it with a broad brush without going into it; there is a 9-day fortnight in operation at all these companies, that is in existence for a 35-hour week. There are overtime restrictions in existence at all these companies in direct support of a 35-hour week, and additionally there is a variety of bans which vary from plant to plant. Some of them Mr. Maurice might be quite right about, they have got a background going back; others are directly related to the 35-hour week campaign. There is no dispute between us.

Mr. Maurice is trying to say that there is a special part there; as far as we are concerned they are part and parcel of the metal trades, they have hived off presumably thinking they are acting in accordance with ACTU policy; we say they are not.

They are acting outside it, and their campaign of direct action is outside the ACTU policy and should be called off.

THE COMMISSIONER: From where I sit, Mr. Evans, I am aware of ACTU policy and certain decisions that we made by rank and file in regard to the shorter hours campaign.

I am also aware - and I am quite sure that everyone present in the commission today is aware - that the matter of shorter hours is one that must be dealt with in another place in another manner, and if any part of the claim is aimed at shorter hours then obviously the correct procedure by the union or unions concerned is to make application in the proper manner so that it will be dealt with by the authority which is competent in accordance with the act to deal with it.

Now, as far as the commission as presently constituted is concerned, I most certainly would do everything that I can to assist the parties in resolving problems such as car parking, obsolete machinery and so on if, in fact, those disputes exist but as far as the shorter working hours is concerned I am stressing that the appropriate way of handling that, and I am speaking to the unions now, is to make the appropriate application.

Now, if we have these other problems on the one hand that the union or unions design to have resolved then let us look at that as a problem but at the moment I am trying to find out to what extent the company's notification in regard to shorter working hours is being pressed by the unions and perhaps we can see where we can go on the matter of shorter hours in that area if that is where the problem is. Perhaps we could hear from some of the other unions.

MR. MURADA: Thank you Commissioner; I might be able to enlighten you on three of those areas, as a matter of fact, I am personally associated with. One is V, M and T's and there is certainly a campaign there, yes. These people for some time - as a matter of fact it has been 30 years since the 40-odd hours working week was brought in to Australia wide.

Productivity compared to output per worker is virtually double. Employees naturally enough have not received the same benefits as their employers and particularly the companies as here, they are repair and manufacturing industries, and there is no doubt they have not got to look too far to see other people in virtually the same industry or certainly in the coal mining industry in relation to a 35-hour week. Those people have enjoyed a 35-hour week for a number of years. And the particular people involved have met. They have met on several occasions, not just on one occasion. They have changed their tactics since late as last week. I can assure you I was at T's in Port Kembla and they - in what Mr. Evans said it is not 100 per cent true because it is not due to start till next week although the intentions may be there. But nevertheless the fortnight - or the nine-day fortnight - is supposed to commence as of next week and they certainly - I think that out of something like 100 people, I better reduce that figure, something like 60 people voted and there was three against it so I might add it was almost a unanimous decision that a nine-day fortnight be in fact worked and unless those people lift those requests I am afraid - it was by their own decision they made that. The same as at M, the same at V Engineering. I believe J is about to move into that area but I am not too sure about that personally. Once again, Commissioner, as far as I am concerned these people have their own people in the coal mining industry enjoying a 35 hour, in fact, receiving a 35 hour and they certainly do not want to be the only people in that area that - on that basis of over the mountain as we call it and down at Port Kembla they do intend to pursue the policy.

It would appear that the ACTU is going to come into it as has been indicated here. They will be - as a matter of fact it has been laid to one particular union that the present campaign be organised by that union and in relation to all other unions in those sectors and they are receiving full co-operation.

THE COMMISSIONER: Thank you, Mr. Murada. It would appear to me just as there was a reduction of working hours from 48 to 44 hours some years ago and in more recent times from 44 to 40, then I would think it inevitable that hours will be shortened in some way at some time in the future on a standard basis. As to whether it will be a 35 hour week or a nine day fortnight or something else I do not know and as I indicated earlier it will not be this type of hearing that is going to give it.

I do not know whether the members of your union employed in these companies imagine that the company is going to hand it on a plate to them outside the commission or not, but again, I would say to you that the appropriate way to handle this matter is for an application to be made for variation of the award and when you mention the fact that productivity has increased well there is one argument among many, no doubt, that you would be aware of that you could use in such an application, particularly in view of the introduction of new technology; but as far as the commission as presently constituted is concerned, as I have said before, I am not in the position to be able to assist the unions there.

Do I take it that that is the only issue in these places that you are covering is shorter working hours and not other matters such as car parking etcetera?

MR. MURADA: To my knowledge that is the present campaign, Mr. Commissioner.

MR. COCHRAN: Mr. Commissioner, Mr. Evans has stated that people in the mine manufacturing are part of the general metal industry award sector, but the people in the mining manufacture midway through the general campaign saw that they were different, they had seen the line the glass industry was taking whereby disputes, by stoppages, the people in the glass industry could get the employees around a table to talk, then to come to the commission to seek their help in setting up joint working parties so that they could consult on how to attain a shorter working week within that industry.

Now, the people in the mining manufacturing could see that they were something special, the general standard within that type of industry was for a shorter working week, whether it be 35 - but it was less than 40, so they decided to call all the employees within that area to meetings to break away from the general metal trades campaign as it was and to up their campaign to try and get the employees around the table.

I agree with what my colleagues say that the unions are always prepared to sit around the table and talk because I think that a lot of good can come out of talking, by conciliation rather than by arbitration. You only have to look at how the glass industry has come a long way down the line to where they have Commissioner Vosti helping and they have now come to a stage where they are going to have inspections I believe within that industry, and that is why the people in the mining manufacturing have upped their campaign to try to get the people to sit down and talk. They believe that they are different from the general metal trades and that is why they have upped their campaign but they still believe they are apart from the general campaign.

THE COMMISSIONER: Mr. Cochran, again I refer to the notification by the Metal Trades Industry Association in which we are now notified that the claim for a 35 hour week has been rejected by the employers. I do not know the history of that rejection, but perhaps I could ask Mr. Evans: Is there a reluctance by the employers to get around the table to discuss this matter, to do something similar to what may have been originally done in the glass industry?

MR. EVANS: As we said in the glass industry, we are prepared to talk to anybody at any time, the fact is we are not talking at the moment in the glass industry because the employees considered they would continue with a campaign of direct action and we said, good, we can have as much direct action as you like but you will not get any talks.

So, my friend is wrong about the glass industry, it has now reached a stalemate after 7 months of fairly massive direct action and loss from both sides so there are no talks at all in the glass industry.

Our position here is we will talk until we are blue in the face but it will be talking to convince them to drop their claim. There is no way in the world - we do not mind doing that, we can convince them, we have all the arguments in the world - there is no way in the world we are going to sit around a table and concede reduced hours.

These discussions have taken place with individual companies over the period and it is partly the industry and it is partly the association. The members who are here today, their view has been put nationally that this matter can be resolved in a normal orderly way by the metal trades unions or the ACTU seeking to file a general application for hours or as you quite rightly suggest, Mr. Commissioner, they could file an application for hours in this industry. There are more than six companies, they are the ones who are principally concerned today, but we would welcome any case which we would argue in the proper place about reduced hours and all we are trying to do is say that is one way of doing it, that is a sensible way to do it, it is not sensible for these blokes to be virtually the only shock troops in Australia.

THE COMMISSIONER: it seems to me, Mr. Evans, there are three main ways of doing it; one is to go along with ACTU policies and activity, the other is seek a variation of this award and the other way is to do what they are doing at the moment. Now, frankly I cannot see that the current method is being successful nor is it likely to be successful, particularly as you have been quite frank in answering the question that I posed and that is were you prepared to talk and you said yes, you were prepared to talk but you were going to tell them that you were not going to give.

Well I do not think that is what they are looking for. I have had a bit of experience in trade union matters. I would like to see the parties get together if for no other purpose than to work out a programme to allow the unions to make the proper application to the commission for a variation of the award. That is what I would like to see; but that is entirely up to the unions who at this moment appear to be looking at one of the alternatives. Perhaps I might ask Mr. Grantham would he like to add anything.

MR. GRANTHAM: Yes, Commissioner, I think Mr. Evans should realise that the ACTU clearly identifies the mining equipment as a separate entity as distinct from the general metal trades spectrum of industry which is pretty broad across Australia. Now, the ACTU condones the campaign and the campaign the boys are doing out there at J is virtually in line with the ACTU policy and to go outside the ACTU policy would be to virtually try and take the campaign out of their hands when unionists throughout Australia are lining up behind the ACTU's campaign for the shorter working week.

THE COMMISSIONER: Perhaps you might tell us exactly what is the ACTU policy?

MR. GRANTHAM: It is a 70 hour 9 day fortnight.

THE COMMISSIONER: Yes, but what is the method that the ACTU proposes to adopt to achieve their purpose.

MR. GRANTHAM: Action on the shop floor in selected industries.

THE COMMISSIONER: Is this one of the selected industries?

MR. GRANTHAM: Yes it is, it comes in group 3 of the ACTU policy.

THE COMMISSIONER: Does the company agree with that?

MR. EVANS: All I am saying is somebody had the full bench on. I was there when the ACTU advocate said these words that I read to you. The ACTU emphasised that in those industries directly co-ordinated by it the claim for a shorter working week was proceeding without industrial action. Now, if the ACTU does not mean what it says I suppose it is a matter for another place.

THE COMMISSIONER: Are you sure of your facts, Mr. Grantham?

MR. GRANTHAM: I have a circular here that says it is part of a list of 32 industries, the ACTU, divided into three groups.

MR. COCHRAN: May I say something, commissioner?

THE COMMISSIONER: Yes.

MR. COCHRAN: What Mr. Evans said the ACTU delegate to the full bench said is probably right, but I will repeat that the mining manufacturer broke away from the general metal trades industry 35 hour a week campaign about half way through it. Now they have decided they are separate, that they are an area that can break through. I believe that they were not involved in the stoppages last week because they have decided the action they will take.

THE COMMISSIONER: We are at cross purposes, Mr. Cochran. What I am trying to find out is whether the ACTU imagines that this industry is one of the selected industries that the ACTU is involved with.

MR. COCHRAN: Well, none of the areas as under the general metal trades campaign have been called together as yet. That is up to the unions to co-ordinate those meetings. As I said the mining manufacture had started before the ACTU was called in to co-ordinate the campaign.

THE COMMISSIONER: The ACTU has not called the relevant industries together?

MR. COCHRAN: No.

THE COMMISSIONER: But is this particular industry on the list to your knowledge?

MR. COCHRAN: Yes, they are on the list but they have not been called together under the auspices of the ACTU ---

THE COMMISSIONER: But they will be called together?

MR. COCHRAN: I believe they will commissioner.

THE COMMISSIONER: Are these industries and the unions concerned going to be involved in the ACTU campaign in these selected areas?

MR. COCHRAN: It is a strange fact of life, Mr. Commissioner, that you can go to people and say that they should become involved in a certain campaign and then you try and talk until you are blue in the face and those people will decide that they will, you know, do the opposite of what you put up. Mr. Evans said why should this group of employers bear the brunt of the campaign when all the others have pulled out. There are a number of shops that are still pursuing the 35 hour week or a shorter working week.

THE COMMISSIONER: But, Mr. Cochran, you cannot have it both ways. Either you are part of the ACTU campaign which I think Mr. Grantham was saying you are, or, on the other hand, run your own race.

MR. COCHRAN: They have not been called together under the auspices of the ACTU as yet, Mr. Commissioner. Once they get there they can tell the ACTU where to go. A lot of our people tell us where to go, too; any union official has not had a perfect record of being able to convince these people that they should do certain action.

MR. MAURICE: Mr. Commissioner, the position should be quite obviously plain, that as Mr. Evans had indicated this is a new South Wales dispute. It is not an interstate dispute in which the ACTU in fact can intervene. Now, if it becomes interstate then I have no doubt that the ACTU will probably call the unions together. At this stage it is companies which are mostly J Manufacturing, they own J. Manufacturing, they also own the place up at Kurri Kurri and I understand will own V Engineering very shortly. The majority of it is one company, it has spread from the company, there is a number of other people involved in the like industries that have got themselves involved into the campaign.

As I said it is a New South Wales dispute, it has been orchestrated, if you like, by that mysterious body that I referred to before that Mr. Evans did not seem to know anything about, those blokes in the blue overalls who said that they want the 35 hour week the same as everybody else who works in the industry whether they work on the machines in the pits or whether they work on the machines up on top of the pits or whether they work in the offices of those companies they are employed with; they want an equal go like everybody else. I can understand the problem of trying to sort all this out, J. Manufacturing management has a bit of trouble organising just to get together with the 45 unions in the place to talk about ordinary problems which they cannot solve and which I have read out so I have no doubt why there is some confusion. If they try to organise all of the rest of the companies together to talk about or not to talk about a 35 hour week, I can understand we are in the confused situation.

The plain fact of the matter is that the employees over many, many months have decided initially they would be in the metal industry campaign; they then decide as has already been indicated that because of the unfairness of the situation - the office workers and the rest of the blue collar workers in the industry are on a 35 hour week, some on 35 some on less than 40, they should be part of it too and they have banded together to argue on a combined basis.

Now, that is not an unusual thing to do, in fact, we wish it would happen more often and it is a rank and file campaign and has been indicating it is rolling fairly successfully otherwise the employers would not be down here crying tears of blood. So, to say that it is not successful I think is a bit of Mr. Evans' double talk that he uses from time to time when you have him on the ropes and gasping he says he is not feeling the punch.

So, as far as we are concerned, that is the position, Mr. Commissioner, as far as those half a dozen points that I read out are concerned, we have indicated to management we are prepared to sit down around the table and talk to you about it, I cannot understand what it has to do with all the rest of the people ---

MR. EVANS: They have all got strikes.

MR. MAURICE: If that is the basis of the argument for a 35 hour week - half a dozen points that have been outlined to us to all employees of J and I read things as I see them, it says:

J. Manufacturing - to all employees ---

I took that to cover the people at V Engineering and the people up in Kurri Kurri, if that is not the case then obviously that is a local matter which we will fix up, but if it is a position of sitting down and trying to convince us that we ought to call off the 35 hour campaign well then, as far as I am concerned, I have got plenty of work to do other than stand around spruiking here all day. I am prepared to drop right off now because I am not going to sit around the table to have some people who in their own employ have people working on a 35 hour week. The Metal Trades Industry Association will understand all of their employees work a 35 hour week - for them to sit around and tell us we have to pull the campaign off - as far as I am concerned that is not on and if the conference is just to do that then as I said, as far as I am concerned I am wasting my time and everybody else's.

THE COMMISSIONER: Can anyone see the advantage of going into private conference with the advocates?

MR. EVANS: While Mr. Maurice is thinking about it, I know he lives near J but I wish he would get it out of his mind, he is not just talking about J, he is talking about all these companies and all the employees. As I said before, we are happy to go into conference but the purpose of our talk in conference will be to persuade them to get back to normal.

THE COMMISSIONER: Let me put it another way Mr. Evans: this was a notification by your association. What is it that you are asking the commission to do.

MR. EVANS: I think what you said, Mr. Commissioner, to recommend to them and you have said it, if they think they have a genuine claim that they should file an application to vary the award and conduct it in the normal way the system provides and while that is being conducted, to call off direct action.

THE COMMISSIONER: You would appreciate that I can do little more than that.

MR. EVANS: That is all, but if you would recommend that we think that the men would take notice of what you put.

THE COMMISSIONER: I so recommend.

MR. MAURICE: Before you do, Mr. Commissioner, I am getting a bit confused now, because I have a letter here that says:

The company respect the campaign
for the 35 hour week
for example the 9 day fortnight.

Now, here we have the Metal Trades Industries Association saying that for all of this the employers to call it off, asking you to call it off. I have a letter signed by the managing director of three of the four companies involved saying ---

MR. EVANS: No, signed by one, J. Manufacturing.

MR. MAURICE: Who owns V Engineer and Kurri Kurri ---

MR. EVANS: It does not.

MR. MAURICE: --- it is all the same company.

THE COMMISSIONER: You have got me confused now.

MR. MAURICE: He has got me very confused. He is asking for the Metal Trades Industries Association - he is asking for a recommendation to call off the campaign. Now, as I said, in three of the establishments that are involved in it, we have got a letter to say the campaign should go on signed by the managing director. Can I ask now, is the recommendation only going to be to those companies other than J Manufacturing or those subsidiaries that they represent.

THE COMMISSIONER: Could you read out the relevant portion of that letter to me?

MR. MAURICE: I will hand a copy up.

THE COMMISSIONER: Mr. Evans, can you help me with clause 6 and tell me what it means.

MR. EVANS: I would say this is just a use of English - you could put it another way --- Yes, the managing director here is confronted with a situation where none of these bans were on, Laurie Carmichael turned up at my friend's request.

He addresses a meeting and suddenly we get all the bans on so we have got that. The second situation is, in the middle of a campaign the managing director of this company, Mr. Burns, is realistic enough to think that these blokes at J will not call it off unilaterally so he has gone out and spoken to them all and said, "I am prepared to make certain concessions to get us back to normal" - because it is not a normal situation at J it is absolutely abnormal and I think they lead the race in this particular environment and I think it would be reasonable to say they have more trouble than any of the other companies.

The Managing Director of this particular company says, look, I will bend a bit to see if you can get back to normal like all the other companies. It is bad enough to be like all the other companies, it is worse to be out on our own ---

THE COMMISSIONER: Meaning a 9 day fortnight?

MR. EVANS: Meaning to get all the other bans off and while there is a 9 day fortnight on all the other companies he was realistic enough to know that the blokes at J will not pull it off on their own.

THE COMMISSIONER: That answers the question for me.

MR. EVANS: That is all he said. Now, if we get them all off, if Company blokes pull it off we want the J Blokes to pull it off as well. That is all he had said, he spoke to the blokes himself, he said, look I am right here to ask you blokes unilaterally to dump your mates, I know if it is going to go on you will be in it.

THE COMMISSIONER: It appears to me that what he is saying, is lift all the other bans but leave the 9 day fortnight ban there.

MR. EVANS: Only because he is realistic enough to know that the blokes will not lift upon their own.

THE COMMISSIONER: Realistic or not, that is what he has done.

MR. EVANS: That is all.

THE COMMISSIONER: And the question has now been put, where do they stand in the light of ---

MR. EVANS: He wants it off, he would like it off, but he realises he would not get it off on his own and he has not gone out to the blokes and said, I will try and buy you out, one out.

THE COMMISSIONER: He is only speaking of one company is not he?

MR. EVANS: He is speaking of J Manufacturing Company who have a plant here at Mascot which my friend is pre-occupied with and Kurri and they are both very troublesome.

MR. MAURICE: And V Engineering.

MR. EVANS: He does not own V Engineering.

MR. MAURICE: He will in November.

MR. EVANS: He might, he does not own it, it is a separate legal entity and they are represented here today, so this is the manager of one company taking a very practical approach with hard nosed blokes and he has not stood up and said I want you to call it off; he simply said get back and only be as bad as all the others are.

MR. MAURICE: Well, we will do that.

MR. EVANS: Get all the bans off is a start.

MR. GRANTHAM: May I speak, Mr. Commissioner?

THE COMMISSIONER: Yes, Mr. Grantham.

MR. GRANTHAM: This is the ACTU policy in this, I will list group 3.

It is that group which the metal
 industry campaign committee
 ship building

and there are a couple of other industries there. It has been
 broken into three sections which says:

the first section were those
 industries
 and agricultural implement industry.

So, the policy is in line ---

THE COMMISSIONER: Whose circular is that?

THE COMMISSIONER: I do not want to see it, it is from your union.

MR. GRANTHAM: Yes, it is a copy of what the ACTU is.

THE COMMISSIONER: As I see it, there seems to be little that I
 can do today. I would repeat my earlier statement that the
 proper way for the matter of shorter hours to be attended to by
 the trade unions is to make appropriate application to the
 commission for a variation of the award, or alternatively to fall
 in with whatever the ACTU decides, which may well be some kind of
 a test case.

In addition to that I believe it would be to the advantage of all
 the parties if some kind of a conference were arranged between the
 appropriate organisations for the purpose of discussing this
 matter at least, so that something may emerge as to the future
 development of the issue and hopefully the resolution of the bans
 and limitations.

Apart from that there is very little we can do today and the
 commission now stands adjourned

APPENDIX A 3

F Manufacturing Company

Dispute as Notified to the

Conciliation and Arbitration

Commission on 23 February 1981

Appendix A.3

25th February, 1981

F MANUFACTURING COMPANY DISPUTE AS NOTIFIED
TO THE CONCILIATION AND ARBITRATION COMMISSION
ON 23RD FEBRUARY, 1981.

BACKGROUND SUMMARISED

I consider that the best overall view of this dispute can be achieved by dividing events which commenced in April, 1980 to today, into four parts, viz.:

1. May to 29th September, 1980.
2. 30th September, 1980 to 31st October, 1980.
3. 1st November, 1980 to 31st December, 1980.
4. 1st January, 1981 to Current Date.

A limited build up campaign had been in operation for a considerable period prior to April 1980 in the form of walk outs and go slow tactics as part of "a softening up process."

BACKGROUND EXPANDED

The actions/counteractions which have occurred in each of the above periods can be viewed from an Employer or Unionist aspect. Attached hereto for each of the periods as set out above with supporting documentation as an appendix are listings of key events which have occurred.

THE ISSUES

In a dispute as protracted as this matter has been, it is often difficult in retrospect to clearly define what ultimately is an issue but in my view, the issues are as follows:

1. Union Activities at F Manufacturing Company

Since May, members of the A.M.W.S.U., F.I.A., A.S.E. and in some instances, Storemen and Packers and Electrical Trades Union have engaged in activities contrary to the Metal Industry Award as part of a campaign for a 35 hour week.

The overall reason for engaging in these activities seems no longer to be important but rather the extent of and type of activity being engaged in (examples of which are listed hereunder) and their effect upon the Company's operations are important.

Examples of the limitations mentioned above are:

- . 9 day fortnight (36 hour week).
- . Complete ban on overtime.
- . Complete ban on the subcontracting of work.
- . Complete ban on the despatch of finished goods.
- . A ban on the employment of new labour.
- . A ban on the filling out of time tickets.
- . A work to rule within classification limitation.
- . A ban on the introduction of shift work in the Fitting Shop.

2. Company's Response to the Bans and Limitations Imposed

Throughout this dispute the Company has maintained that the correct approach from the Unions for gaining of reduced hours should be by application for a variation of the appropriate award or through an A.C.T.U. promoted test case.

The Company in taking a stand supportive of the system has attempted to maintain production in spite of the Trade Union activities.

The Company now claims that it should be allowed to produce its goods and services without Union inspired hindrance.

Initially the Company reacted to the Union imposed limitations by attempting to re-organise its production by increasing labour capacity through introduction of additional shifts and/or to meet commitments to customers by maintenance of a practice introduced late in 1979 of subcontracting orders which had become time critical.

As the Unions' campaign intensified subsequently the Company took the following actions:

- a. As part of the Mining Equipment Manufacturers, the Company approached the Arbitration Commission for assistance.
- b. The Company wrote letters to employees in an attempt to set down the damaging effects to the Company of the method being adopted by the Unions.
- c. The Company attempted to overcome specific bans and limitations but was forced into a "no work - no pay" situation by the Unionists.
- d. Section 25 (e) of the Metal Industry Award was applied with respect to the strike of the 8th December, 1980.

- e. Employees have been stood down once they could not be usefully employed.
- f. The Company;s losses in 1980 were \$3,900,000 and best estimate, approximately \$1,000,000 can be attributed to this dispute.

RESOLUTION OF THE DISPUTE

The Company seeks a return to good industrial relations which it considers can only be achieved by:

1. The lifting of all bans and limitations by Unions.
2. That a Company re-structuring made necessary as a result of this dispute take place smoothly even though the Company will have to terminate a number of employees to achieve both a trading back to profitability and guaranteed job security for the remaining workforce.
3. Negotiation to commence about specific conditions of employment consistent with the Company's re-structuring.
4. The establishment of proper relations between Management and Union Officials.

To achieve the above, the Company with reluctance is prepared to reserve its decision with respect to the application of Section 25(e) of the Metal Industry Award and is of course prepared to withdraw the stand down notices to allow a resumption of work.

APPENDIX A.4

A Typical Letter to Clients

from Company F concerning the

Industrial Dispute

Appendix A.4

19th February, 1981.

Dear Sir,

F Manufacturing Company, as a major supplier of equipment to the mining and allied industries has been subjected, since May, 1980, to the metal Unions' campaign for a reduced working week. This campaign has been intensified since October to include not only one day stoppages every fortnight, but also rolling strikes, overtime bans, bans on sub-contracting of work, bans on shift work, bans on employment and work to rule limitations.

We have been informed that J Manufacturing Company, for reasons best known to themselves have offered to their employees a 36 1/2 hour week from 1st March, 1981 with a phasing in of a 35 hour week by 1st March 1982. This action has been taken in spite of the Federal Government's expressed concern on the 35 hour issue and the M.T.I.A.'s application to bring the issue before a Full Bench of the Arbitration Commission. Naturally F is concerned at the potential on-going effect of arrangements made outside the Arbitration Commission on Australian manufacturing companies and on industries which they service.

The F Manufacturing Company, over the past 15 years, has played a major part in the development and local manufacture of equipment for the Australian mining industry. Such equipment includes:

- . Mine Rovers
- . Universal Transporters
- . Diesel Powered Underground equipment.
- . Underground and Mineral Exploration Drills
- . Mine Ventilation Fans
- . Hoists and Winders.
- . Personnel Transport Cars.
- . Flat Top Transporters.
- . Ore Trucks

- . Stone Dusting Equipment
- . Feeder Breakers
- . Roof Bolting and Timbering Equipment.
- . Aircraft Towing Tractors.
- . Conveyors.

In addition, the Company has expended large sums on the modification of products originally developed overseas, e.g. the Continuous Miner, in order to make such products compatible with Australian mining requirements.

Unfortunately, the losses suffered and the on-going costs arising out of this campaign by the Unions have forced us to review the basis of our operations. This will mean a rationalisation of our product range and a minimising of our role in research and development of mining equipment products. Further, we shall be limiting our participation as principal contractor in major Australasian materials handling projects and inevitably in the export market.

We will be in contact with you in the near future regarding the implications of the above on our future operations and the impact on our range of available products.

General Manager,
Australasian Operations.

APPENDIX A.5

Progress Report on Major Export

Project Illustrating Effect of

Industrial Unrest Between the

Period 1976 and 1981

and

Correspondence between Company

Client and Company F

Appendix A.5

PROGRESS REPORT ON MAJOR EXPORT PROJECT
ILLUSTRATING EFFECTS OF INDUSTRIAL UNREST
PERIOD 1976 - 81

INVITATION TO TENDER

New Zealand Electricity Commission issued invitations to tenderers for the supply and construction of a coal handling plant associated with a major power generation plant. The tenderers were asked to return submissions for December 1974 with full details of the basis of design proposed including NZ content and overseas content. The enquiry called for a fixed price contract subject only to C.P.I. and Industrial Award increases for the period of the contract. It was envisaged that the contract period would be some two years from the date of awarding the contract subject only to a design approval period nominally six months from the date of issue of the tender documents.

BASIS OF DESIGN

The basis for design of structures was NZ Standard 1900 which provided for the protection of structures from earthquake. This standard included the effects from fire as a result of earthquake damage. Noise level and visual aspects of the structure proposed was to be examined and approved by the Electricity Commission.

AWARD OF CONTRACT

Due to delays beyond the control of the contractors/tenderers, a decision to award a contract to the selected tenderer was not made until May 1974 when company "F" were nominated as the successful tenderers following protracted discussion since January 1975. The contract time allowed for completion of the project was two years subject to budget limitations imposed by the N.Z. Treasury.

DATE OF CONTRACT FOR OFFICIAL PURPOSES

Upon receipt of official notification to proceed with the contract to operate and control the project. The official project date for the purposes of establishing the critical path for the contract was set as June 1975. This required that the mobilisation of design staff, sub-contract allocation, manufacturing and assembly, including advance orders for specialised items would be finalised and in position by no later than September 1975.

MONTHLY PROGRESS

The progress of the contract is set out showing the reason and background to delays where appropriate.

JUNE 75 - SEPT 75

Basic design prepared for approval by the client with reference to the original tender documents. This period was used to provide sufficient design details to satisfy the relevant authorities that the design would meet the environmental, planning and standards required. Such approval is normal in a major project and forms the basis for detail design of foundations, services and coordination with other contractors in the field.

DEC 75 - APRIL 76

The client indicated a major change to the original coal specification for the power station due to seam quality changes in the supply situation.

Extensive modifications to the coal handling plant were required which affected foundation details. As most of the foundation work was excluded from the coal handling plant contract this would delay access to the site. As will be noted, this amounted to a delay of some eight months.

SUMMARY OF DELAYS AT DESIGN STAGE

DEC 75 - SEPT 76

	DELAY MONTHS
1. Coal quality design change	5
2. Foundation design change and lack of site access	2
3. Notification of change to earthquake code - halt in detail design.	1
Total	8

SEPT 1976

The client notified the contractor of changes to the original design Standard NZ1900/Page C164 Structural Design. A revised code NZ4203/1976 (draft form only) would require change to the design already approved and completed in order to meet the new seismic standards. The changes included:

- a) Dynamic analysis to be made on the behaviour of structures proposed when under the influence of seismic activity.
- b) Post elastic analysis.
- c) All bolted connections to be designed on the basis that the original of 1.2 times the work load would now be based upon 1.2 times the incoming load i.e. the load generated by individual members in order to comply with b).

Bow's Notation
Pin Jointed Frame

- (d) Foundation design modified to conform to the code since 1976, would be treated as members.

SEPT 76 - APRIL 77

This period created further delays to the contract programme as the new design required approval of the client prior to proceeding with manufacture. In addition the contract called for approval of any changes to the contract value. This item must be closely examined by managers and supervisors in any project.

MAY 1977

Following approval of the structural changes required to meet the new NZ 4203/1976, the clients architect requested aesthetic changes to the bracing of trestles. This included a design change to the cladding originally approved. In the case of the cladding the client believed that this would result in a cost reduction. Such design requirements requested by the client do not necessarily reflect a direct cost reduction and the contractor proceeded with the work subject to price difference negotiation.

Details of design changes are set out below as an indication of the engineering/management/financial aspects of a project and do not necessarily reflect the true cost of change.

The estimated price variation of \$40,704 must be examined from the site management and project management viewpoint. The following chain of events occur:

- a) Contractor notified of proposed variation.
- b) Site management examines the nature of change and where this fits in with programme - estimated time loss or gain.
- c) Design engineer prepared modified plan.

- (d) Process officer obtains costing if new material required.
- (e) Accountant costs change.
- (f) Notify client of cost effect.
- (g) Site management notifies sub-contractor etc.
- (h) Approval from client.

DECEMBER 1977

Due to financial restraint imposed by the N.Z. Treasury the contractor was committed to re-programme the work on the basis of a 12 month delay in the delivery of coal to the bunkers for the testing and commissioning of the system. Although this was seemingly a matter of adjustment of programme the seam quality which would be delivered was such that the transfer stations would require re-design.

The implications of change must be carefully examined by project managers and the prolongation claims arising from such occurrences can often be a cause of loss of credibility of a contracting company and may result in loss of business.

Appendix sets out typical examples of the type of negotiation and legal disputation which follows and should be used a guide to managers.

INDUSTRIAL DISPUTES

DECEMBER 1977

The effects of industrial disputes are not only financial and it is very difficult to retain the confidence of a client where a major trade union engages in a campaign for increased benefits both financial and improved working conditions.

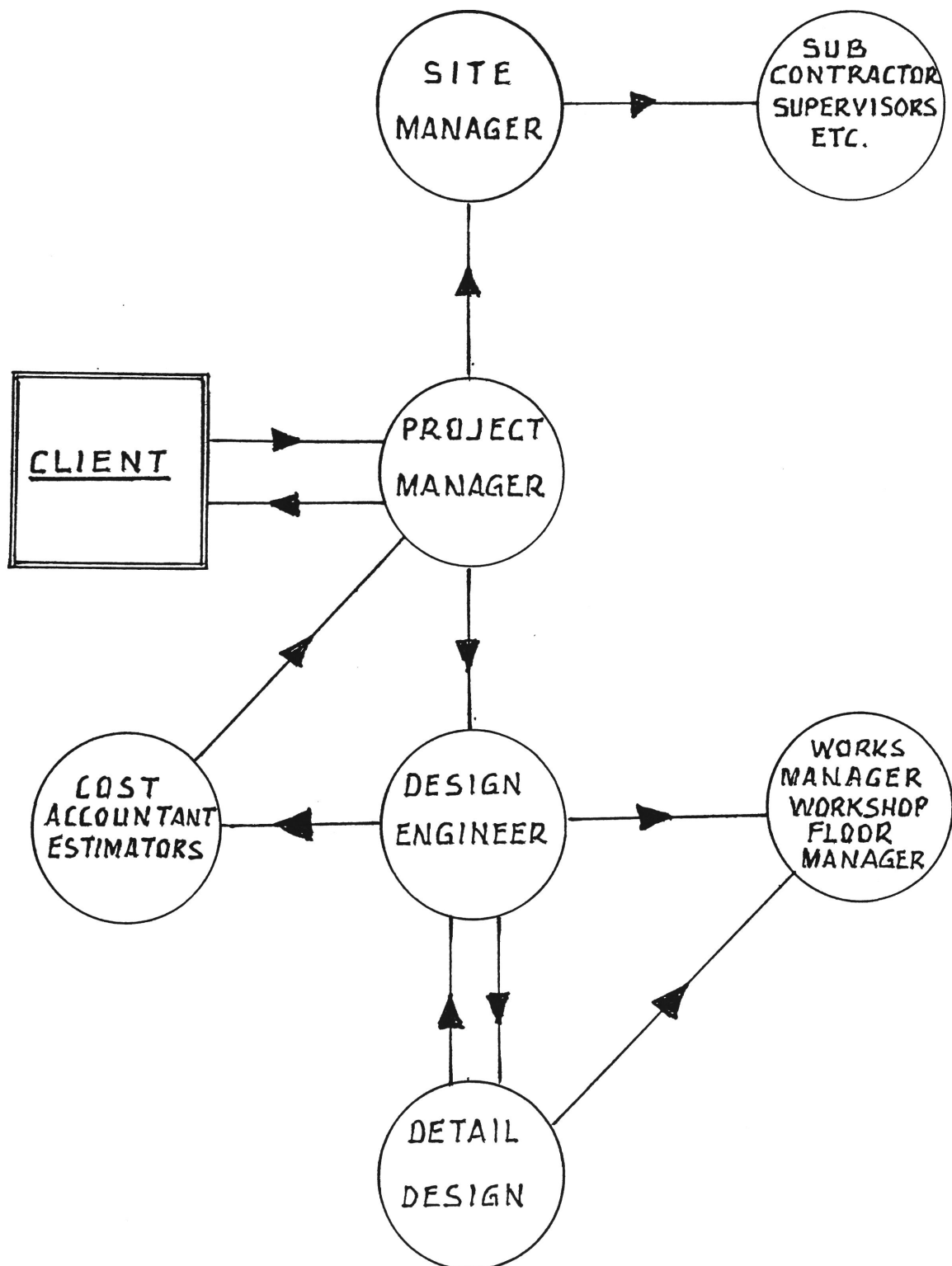
The contract under review was at a critical stage when the Metal Workers Union commenced industrial action against the contractor on the basis of a full order book.

Where an extension of time is sought by the contractor due to industrial troubles, the client's first step is to recommend that the work be contracted out of the disputed arena in order to avoid prolongation.

Such a procedure if it is possible to achieve, will inevitably be to the cost of the contractor since the client is uninvolved. In most cases where a large trade union is involved, there will be an embargo placed on any firm undertaking to do the work.

This particular industrial section was not a dispute however, and the client accepted that "force majeure" could be applied to permit some prolongation of the contract provided that the contractor only claimed Consumer Price Authority increases for work completed but no claims for overtime or bonus payment would be recognised.

From December 1977 until the completion of the contract in 1980 the relationship between client and contractor became increasingly strained due to the lack of progress on the project and this is highlighted by the examples of correspondence in appendix ????



CHANGE OF DESIGN - FLOWPATH

FIGURE A.5 OVERSEAS CLIENT CHANGE OF DESIGN FLOWPATH

The NZ Electricity Commission remained aloof from the site operations from an industrial point of view, but the local unions strongly supported their Australian counterparts and generally operated on a go slow/overtime ban and intermittent stop work meetings similar to the tactics used at the base factory in Australia.

It is considered that any Australian company involved in an overseas venture, i.e. outside Australia including NZ, will require to research the strength of local trade unions and also to include in the future a set of conditions of payment for prolongation.

These conditions indicate clearly that a very firm overall review of a project must be maintained concurrent with the work in progress. The use of a computer aided work model is believed to be essential to protect the interests of client and contractor.

There can be no room for site compromise without pre-conditions, and experience in the mining, civil and mechanical industries in Australia today highlight the lack of foresight in management and in market research.

Reference to the trade figures show the marked decline in economic performance which is the major problem facing Australia.

BULK HANDLING MATERIALS CONTRACTFINANCIAL PERFORMANCE - RECORD AT YEAR 4Fixed price with Inflation Index allowanceallowed in sum for 2 year period

\$A to \$NZ exchanged rate clause included.

10% bank credit guarantee against delivery conditions.

Value of contract \$A16,738,000 (1986 adjusted)

\$A1000s

SALES						
(CONTRACT						
YEAR	VALUE	COSTS		BEFORE TAX	TAX	NETT
	DISBURSED)	FORECAST	ACTUAL	PROFIT	PROVISION	PROFIT/LOSS
1	1,089	-	858	231	116	116
2	6,115	-	5,055	1,060	530	530
3	6,228	4,829	6,277	(-49)	(699)	(-49)
4	3,306	<u>3,034</u>	<u>3,944</u>	<u>(-638)</u>	<u>(272)</u>	<u>(-638)</u>
		7,863	<u>16,134</u>	1,291	1,617	646
	16,738			<u>-687</u>	<u>971</u>	
	<u>604</u>			<u>604</u>	<u>646</u>	

The losses in years 3 and 4 and Warranty year 5 debited against total company profits. Tax provision deducted from profits year 4,5,6.

The financial performance prepared at year 4 shows the budget position prepared at year 4 for the purpose of forward planning of expenditure.

The costs include:- LABOUR
MATERIAL
FABRICATION
SUB-CONTRACT PAYMENT
TRANSPORT

debited directly to the contract account.

A LETTER FROM OVERSEAS CLIENT TO COMPANY FCompany F Performance

At our meeting on 4 and 5 December 1980 it was agreed that Coal to stockout plant would be deemed sufficiently complete for the fine tuning to commence as at 5.12.80 and that the takeover certificate would be issued 30 project working days after that date subject to all outstanding items being completed. It was also agreed that a similar course of action be pursued on the Coal to Bunker plant, except that the plant had yet to be completed sufficiently for fine tuning to commence.

Since December 1980 outstanding work on the coal handling project has been closely monitored and the matter of completing outstanding items has been the subject of continual review between New Zealand Electricity site staff and F Sydney (Mr. J. Barrett). Despite persistent endeavours by New Zealand Electricity to expedite progress on the lists of outstanding items, items still remain unfinished and takeover procedures cannot be completed because certain of the outstanding items are essential to permit the plant to be operated in a safe and proper manner. In the face of this, and repeatedly over-running target dates, F have steadily run down their site establishment and plan to dis-establish completely at the end of May.

It is clear that in spite of the reasonable notice given and time allowed by New Zealand Electricity, F have failed to complete the outstanding items. Further, it is apparent that the F resources and contract management procedures are inadequate to ensure that the remaining work can be completed within a short period. Having considered the situation, we sent to you, and now confirm our telex PSS 1680 of 8.5.81.

We therefore confirm that we have given notice in our telex of 8.5.81 that in terms of Clause 12 of the General Conditions of Contract, F are regarded as being in breach of contract by reason lack of due diligence and expedition in completing the works, and failure to comply with instructions to finalise outstanding work and correct notified defects in readiness for commercial service of the plant.

The outstanding work to be completed and defects to be rectified are as previously advised to your site representative by New Zealand Electricity project staff, and as listed on the attached schedule.

We further confirm that notice has been given in our telex of 8.5.81 that unless all outstanding work is completed within 20 days from the date thereon, we propose to take the remaining work out of your hands and have it completed at your cost and using your equipment, as provided for by the terms and conditions of Clause 12 of the contract.

Please note that the outstanding work and defects listed in the attached schedule are required to be completed or corrected as an integral part of your obligation under the contract and as a pre-requisite to the issue of any Taking Over Certificate.

